DUN'S REVIEW
and Modern Industry

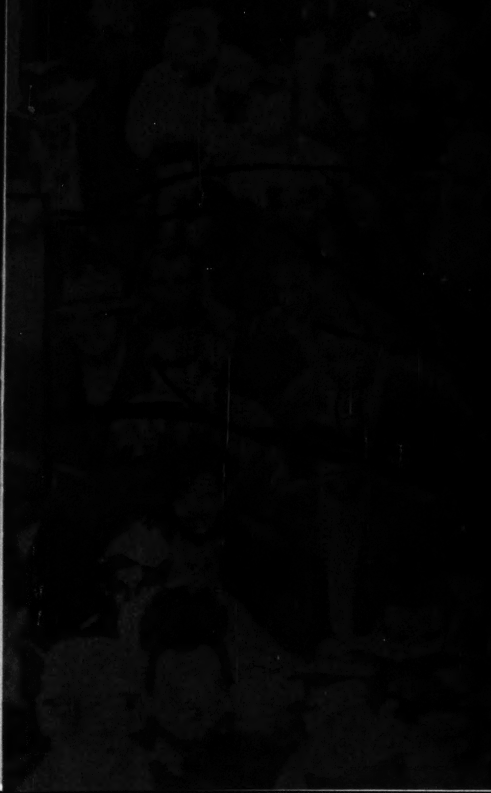
A DUN & BRADSTREET PUBLICATION

April 1959 75¢

Q:

LABOR'S TOP MAN TALKS BACK

George Meany Answers Industry's Leaders

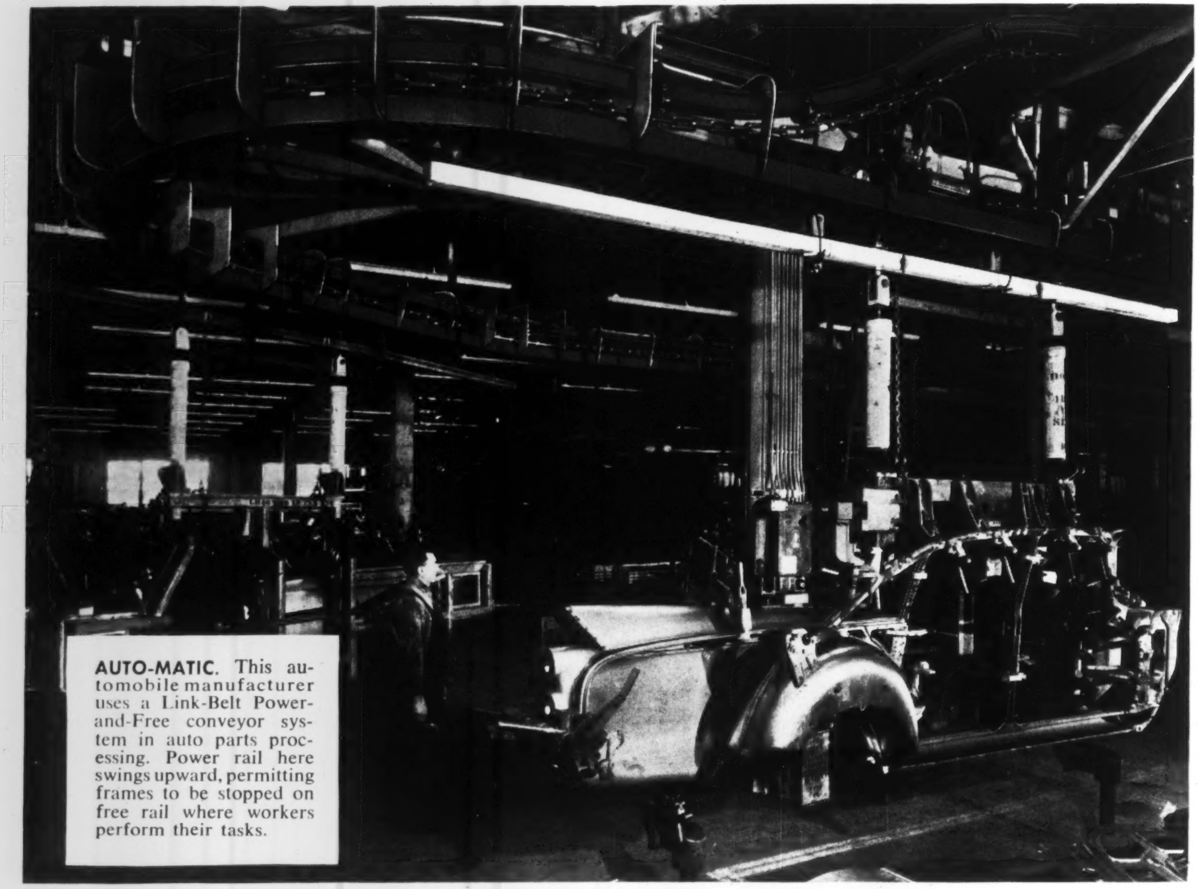


A:

Presidents and Paperwork

Politics: Business Tries Its Hand

Stop-and-go handling for non-stop production



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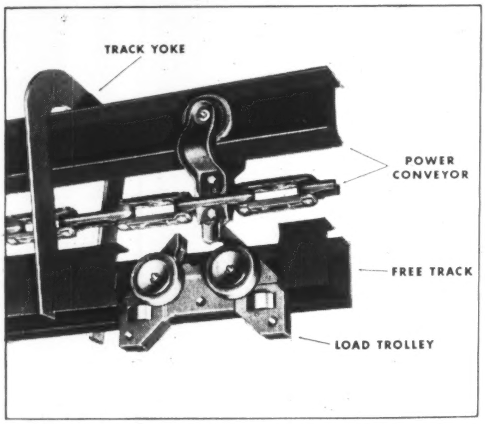

HOW IT WORKS. Propelled by power conveyor, material rides smoothly on free track below. At work station or storage area, load carriers are switched to or from unpowered free tracks which can be located on either or both sides of the main Power-and-Free conveyor.

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NOTE: *Our March cover art, which was erroneously attributed to Robert Hallock in last month's issue, should properly have been credited to Robert Swanson.*

Editorial

Books and the Business Man

IT'S A POOR MANAGER of his leisure who finds no time for adventure in the world of books. We usually find time for the things we want to do, no matter how demanding the day's work or the evening's social schedule. A book is a patient object always willing to wait and equally willing to serve. No man is rich, no matter how successful he may be, unless his assets include the possession and active use of the wealth that books provide.

Mere literacy is no guarantee of wisdom, any more than a crowded bookshelf is proof of cultural enterprise. The mind of the typical American business man soaks up thousands of words daily from newspapers, business papers, and magazines—all worthy and necessary servants of his material welfare. But there comes a time, too, for mental recreation and for intellectual searching beyond the problems of the moment. What shall a man read in the narrow portion that belongs to his spirit? The choice is his to make according to his own taste and appetite.

A volume on history and current biography widens our horizons by destroying the urgency of such words as *now, today,* and *this year.* It makes us part of centuries and millennia, and we study the actions of mankind in a mirror which may reflect our own ambitions, hopes, and faults. Many executives back away from the words philosophy and poetry, when these two tools of the mind are their constant, if unrecognized, companions. Philosophy, the love of wisdom, is the fruit of the growing mind; poetry, the irritant of the imagination, is better exemplified in the images and epithets of the marketplace than in textbook definitions of rhyme and meter. The business mind that lays plans for building, buying, selling and distributing goods, and performing services, uses all the creative talents of philosopher, poet, historian, and novelist. The more an executive reads for esthetic pleasure, the more he benefits from the new light that is cast on old problems and the greater insight he acquires into values which cannot be measured except by the intangibles of the spirit.

No man can read more than a tiny fraction of the literature of the past. Yet neither the opportunity nor the responsibility should be sidestepped. Friend and foe, sage and fool use the alphabet and the printing press in an endless effort to persuade, inform, entertain, and delude as the spirit of good will or mischief dictates. A worthy book usually shines with an inner lustre that no cover can hide, and we can and should seek it out.

No business executive can afford to pass by the library or bookstall with the excuse, "I'm too busy." No matter how cramped he is for time, there's always time left over—time for contemplation, time for appraisal of our progress as managers of our cultural welfare. It took centuries of blood and ink to produce a free press. Why not value and enjoy the benefits it has brought us? People who burn books are less dangerous to our cultural freedom than people who ignore them.

The Editors

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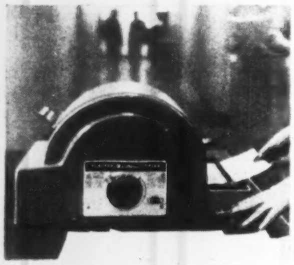

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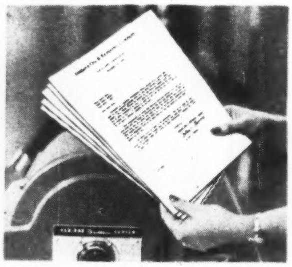

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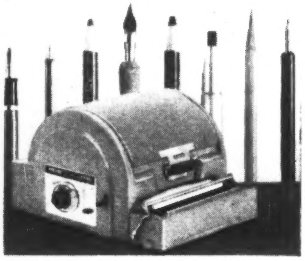

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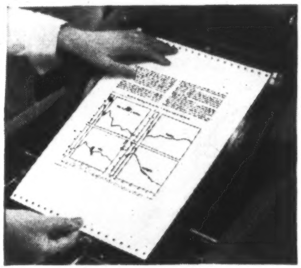

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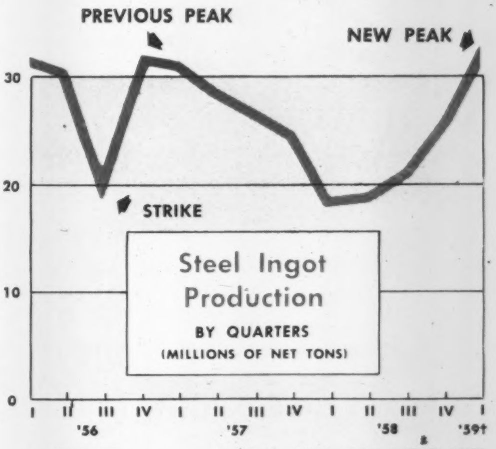
The Trend of BUSINESS

- **PRODUCTION:** *Record levels of steel output will help boost total industrial output to new peaks this quarter.*
- **INVENTORIES:** *Appreciable gains in stocks of durable goods will result in a steady rise in business inventories.*
- **SALES:** *Higher levels of personal income will encourage consumer buying, and retail sales will continue at record levels.*
- **GROSS NATIONAL PRODUCT:** *Dun & Bradstreet economists see $490 billion rate in 1960's first quarter (page 15).*
- **FAILURES:** *February marks a nineteen-month low as casualties shrink in most lines and areas (page 16).*



† ESTIMATED SOURCE: AMER. IRON & STEEL INST.

Business Heads for Higher Ground

ALTHOUGH business activity at the moment lacks some of the vitality which prevailed during the initial stages of the recovery, a steady upward movement will be maintained through the second quarter.

Industrial production, currently close to record levels, will hit new all-time peaks before the end of the second quarter.

Increased output schedules in the steel and automotive industries will be primarily responsible for moderate month-to-month gains in over-all industrial production through June. Much of what happens thereafter depends on whether or not there is a steel strike.

Behind the rise in physical output will be a steady expansion in business inventories, especially in durable goods. Continued high levels of consumer buying will prompt business men to build up their stocks of appliances, furniture, and other hard goods.

Increased consumer interest in household goods and continued high sales of apparel will keep over-all volume of retail trade appreciably over year-earlier levels.

More spending on durable goods will offset the usual post-Easter decline in apparel sales. As personal income moves up, consumers will be more likely to loosen their purse strings. Installment buying also will increase.

The unemployment level will remain relatively high throughout most of the year.

The rise in production will encourage many manufacturers to add to their payrolls, but some still will extend the work-week of present employees. In addition, efforts to step up output through the improvement of production facilities and methods will continue.

Some time during the second half of 1959, expenditures for new plants and equipment will show moderate gains. Increased capital spending by manufacturers will be primarily responsible for a slight gain for 1959 as a whole over 1958. The increases in 1960 will be more significant, but not so great as the increase in 1956 expenditures over 1955.

Higher outlays for commercial building and more public building will hold over-all construction activity at record levels throughout most of the year.

Gains in the construction of office buildings and stores will be more noticeable this year than gains in industrial building. The number of housing starts will level off after mid-year and dip somewhat in the Fall.

Business men this year will be pleased with reports on corporate profits. They will be up noticeably over 1958 and will approach record levels.

Prices will remain at current levels until some time in the third quarter and then begin to creep upward.

Much of this increase will stem from higher sales and limited supplies in some lines. Another stimulant will be the financing of the Federal deficit through commercial banks, which will pump more money into the nation's economy.

Whether the current sharp year-to-year gains in automotive output will be sustained through the first half of the year depends, of course, on how well dealers' sales hold up. Although recent preliminary estimates show that sales of new passenger cars have continued to widen gains over a year ago, some industry officials are concerned about the lag in credit sales. Estimates of passenger car output for 1959 as a whole still average at about 5.5 million cars.

Purchases of foreign cars are expected to remain at current high levels for the rest of the year. Recently, the Ford Motor Company announced plans to introduce a small economy car in the 1960 model year. It was the first of the Big Three to state this publicly, but similar

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DR1

announcements are expected soon from General Motors Corp. and Chrysler Corp.

Automotive producers in recent weeks have sharply increased their orders for steel, as have most other users. This was prompted by low steel inventories and increased fears that there may be a prolonged steel strike this Summer.

Steel ingot production in March climbed to a record level as mills attempted to accommodate the upsurge in bookings. The rate of new orders noticeably exceeded output. This will continue until steel consumers feel their inventories are adequate to tide them over an extended strike period or until the threat is removed. First half output will hit a new record.

Paper orders to top record

The outlook for the paper industry is bright. Orders this year are expected to exceed those of 1958 by about 7 per cent. Although orders will climb over the previous record set in 1956, profits will probably fall short of the 1956 peak.

In the coming months, substantial gains over a year earlier will be sustained in the production of electric power, lumber, and petroleum. Moderate, but less noticeable, increases will prevail in coal output.

The rise in business inventories which was first evident at the beginning of the year will continue through the first half. The month-to-month increases will be moderate and will occur primarily in durable goods. Much of the rise will stem from fears of a steel strike. Business men at all three levels, manufacturing, wholesale, and retail, will be more and more inclined to build up their stocks.

The recovery finally showed signs recently of reaching the machine tool industry. Many consider this an indication that more business men are thinking of expanding their operations. The recent gains in new orders were moderate, however, and no significant increases are in prospect before the end of the year.

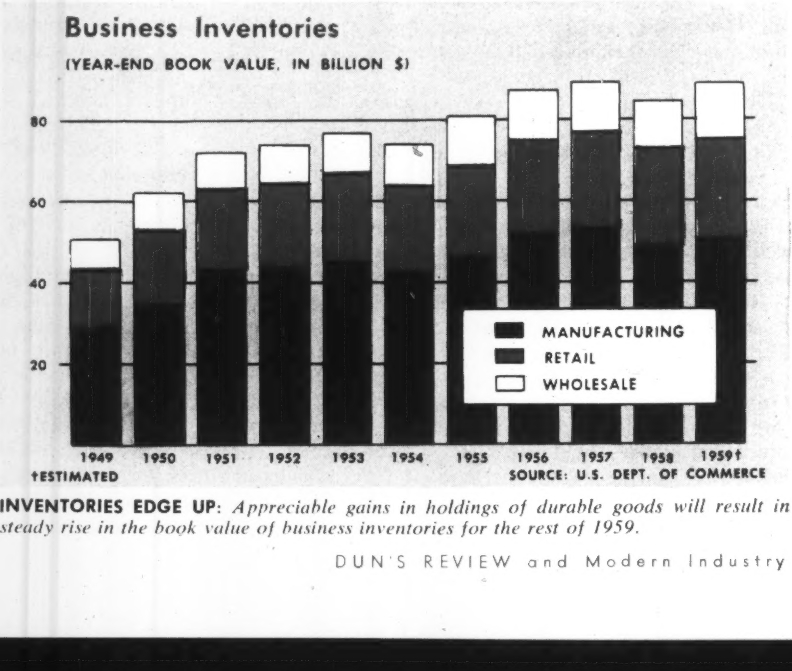
Wholesale volume in recent weeks has remained comfortably above similar 1958 levels. Attracted by new styles, apparel buyers noticeably stepped up their orders for women's Summer dresses, sportswear, and fashion accessories. This reflects expectations of considerable gains at the retail level.

Moderate gains are the rule

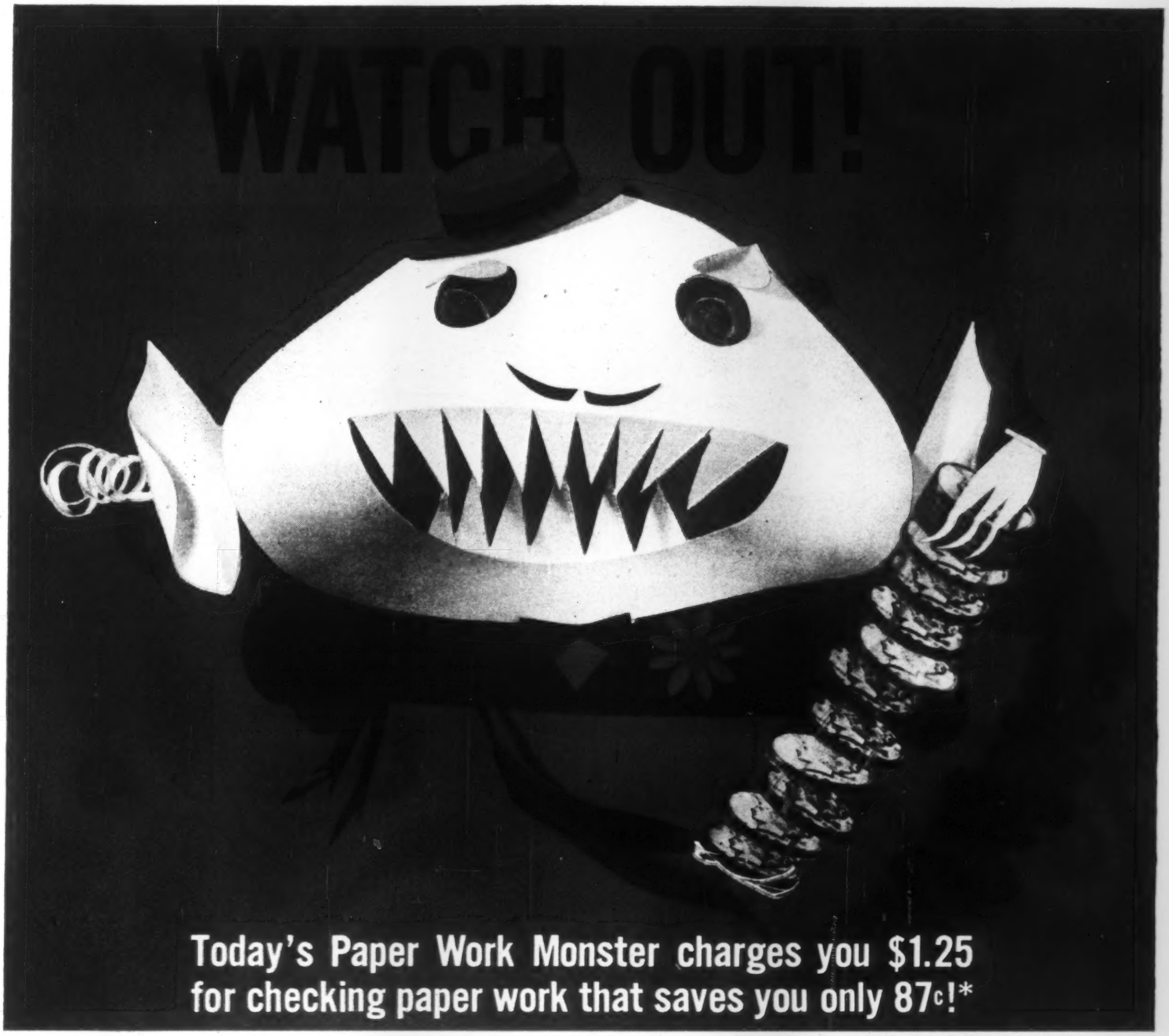
Although the upsurge in textile trading that occurred early this year has tapered off, moderate year-to-year gains will remain through the current quarter.

Wholesalers can look forward to moderate gains over last year in sales of major appliances, furniture, garden equipment, hardware, building supplies, and food products.

Retail trade will continue to edge up to record levels, although nothing like a boom is in prospect in consumer buying. The most substantial increases will be in appliances, especially laundry equipment, dishwashers, television sets, and air conditioners. Gains in outdoor furniture, upholstered chairs, and case goods will be more modest. Over-all sales



INVENTORIES EDGE UP: *Appreciable gains in holdings of durable goods will result in steady rise in the book value of business inventories for the rest of 1959.*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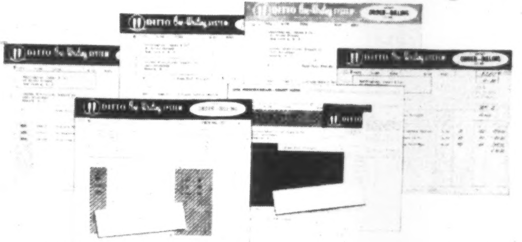

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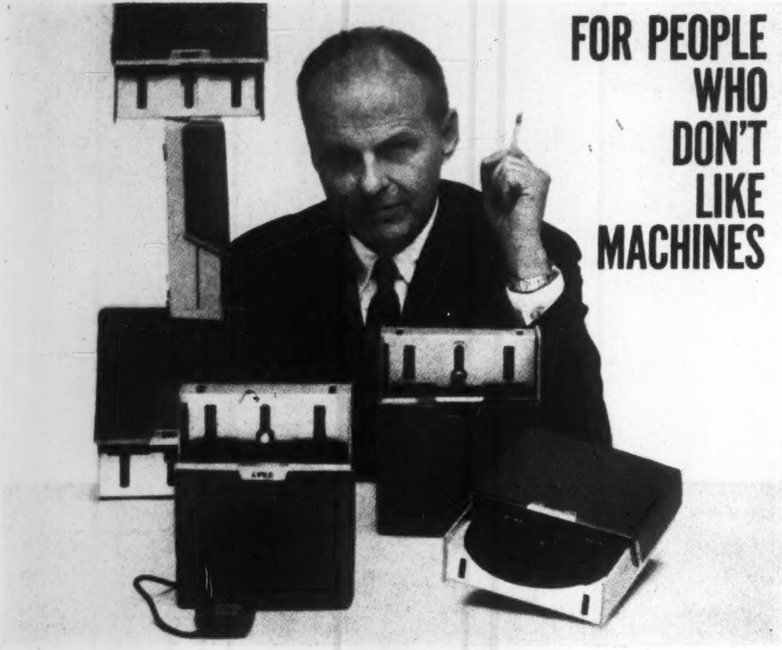

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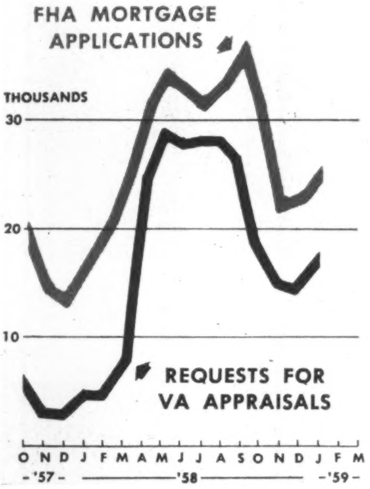
of household goods in 1959 will be moderately above the levels of a year earlier.

Apparel sales will show the usual decreases following the Easter selling season, but losses will be cut by extensive sales promotions on Spring merchandise. Purchases of food will continue to exceed a year ago, boosting volume for all of 1959 to another record level.

Slow pick-up in buying mood

The annual survey of consumer finances conducted early this year by the University of Michigan Survey Research Center for the Federal Reserve Board showed that consumers are in more of a buying mood than they were a year ago, but the improvement was not up to the expectations of most business men.

Although consumers will spend more this year than last, the dollar value of their savings will also climb and reach a new record. This will be due to a steady rise in disposable personal income, or income after taxes, resulting largely from higher wage and salary disbursements.



HIGHER INTEREST RATES *on mortgages may discourage prospective home buyers during the second half of the year.*

As production moves up, payrolls of manufacturers will begin to show more significant increases, but recovery in the employment will continue to lag behind that of over-all business activity. For the rest of the year, manufacturers still will be cautious in adding to their workforces and will concentrate on the most economical methods of production. Another rea-

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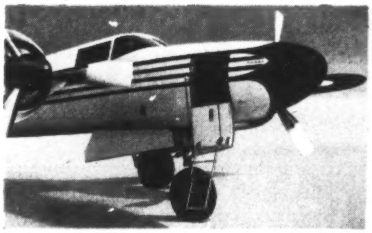
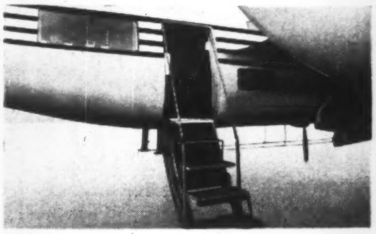
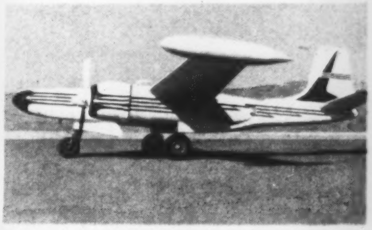


New contoured long nose section (103") incorporates radome and a large baggage compartment with foldaway ladder.



The side entrance hydro-electrically operated airstair door has steps that fold to allow a flush interior cabin wall.



Latest design tip tanks give a total fuel capacity of 1330 gallons, providing a range of 2100 miles with normal reserve.

son for the relatively high level of unemployment will be a steady rise in the labor force.

Higher discount rate likely

The recent increases in the discount rate, or the fee charged member banks on their borrowings from the Federal Reserve System, would have been greater if it hadn't been for the unemployment situation. As the number of jobless eases and business activity moves up, another rise in the discount rate is a likely anti-inflation move.

Although prices have been stable in recent months, they will start inching upward later in the year. The extent of the increase will depend greatly on the rate of consumer buying, the results of negotiations for wage increases in many industries, and the size of the Federal budget deficit and how much of it will be financed through commercial banks.

Food prices will show little change, but costs of apparel, household goods, transportation, and entertainment will move up.

Housing starts may decline

The level of housing starts held up well early this year, exceeding the expectations of many business men. After mid-year, a decline is in prospect, but this depends greatly on what kind of legislation the Government enacts and on the availability of mortgage money.

Increased outlays for home repairs and modernization could partly offset a decline in housing starts, holding total residential building at high levels.

Government expenditures for goods and services will rise steadily for the rest of the year. State and local expenditures will show more significant year-to-year gains than will Federal purchases. Federal spending after mid-year will depend largely on the scale of price support operations and this year's legislation.

Trading was heavy in the stock market in mid-March, boosting averages to record levels. This was followed by an easing in prices. Observers were concerned that stock prices were climbing at so much faster a rate than over-all business activity.

This report was prepared in the Business Economics Department, Dun & Bradstreet, Inc., by John W. Riday.

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The 3300-FH will fold and stuff 500 single enclosures in an envelope in eight minutes. An additional enclosure can be handled by a separate run through the machine. Handles cards, leaflets, letters, invoices, even stapled sheets. Can be set in less than a minute, without tools. Automatic feed requires minimum effort for the operator. And it's easy to run.

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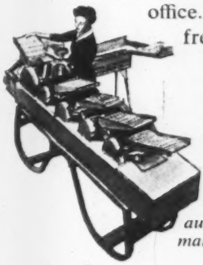

Model 3110 has six optional stations, inserts up to six enclosures at speeds as high as 6,000 an hour. Can be fitted with auxiliary PB postage meter mailing machine, if desired.

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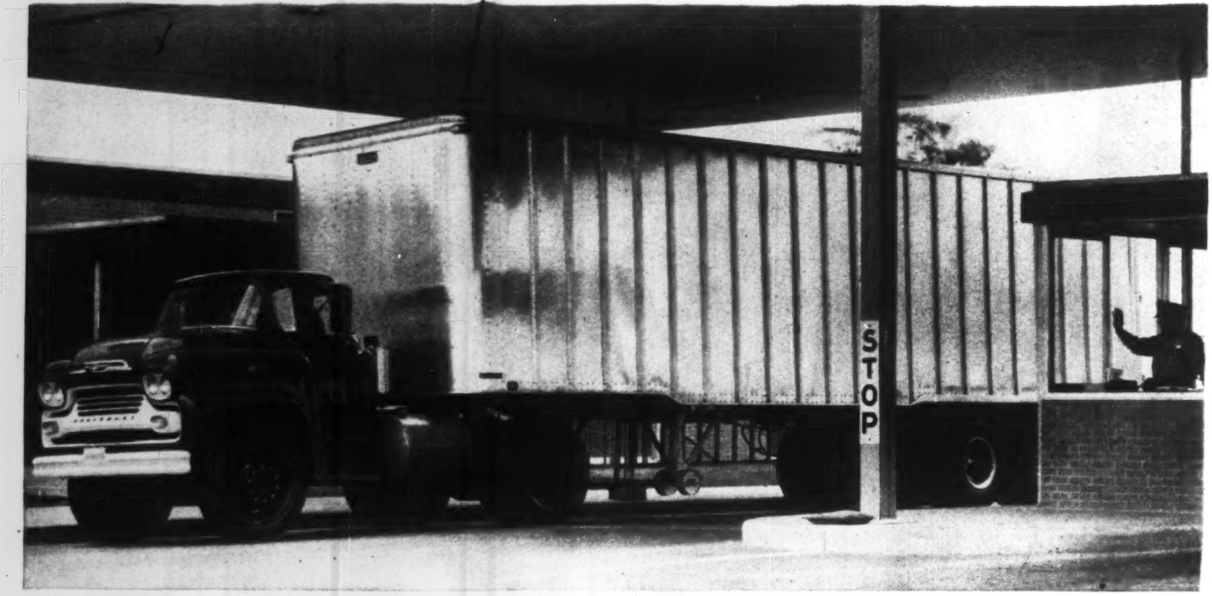

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Looking Four Quarters Ahead

Quarters		Consumer spending*	Government outlays*	Private investment*	Gross national product*
1958	II	288.3	89.7	52.4	430.4
	III	291.5	92.0	56.2	439.8
	IV	295.9	95.2	62.0	453.0
1959	I	299.9	96.8	68.6	465.7
	II	303.6	97.9	72.0	473.5
	III	306.7	98.6	71.0	476.3
	IV	310.9	99.5	75.0	485.4
1960	I	313.5	100.0	76.7	490.2

*Seasonally adjusted annual rates, in billions of dollars

THE UPTREND in business seems certain to persist through next Winter. In the first quarter of 1960, total output of goods and services will be running at a rate of about $490 billion, as against a probable $466 billion in 1959's first quarter.

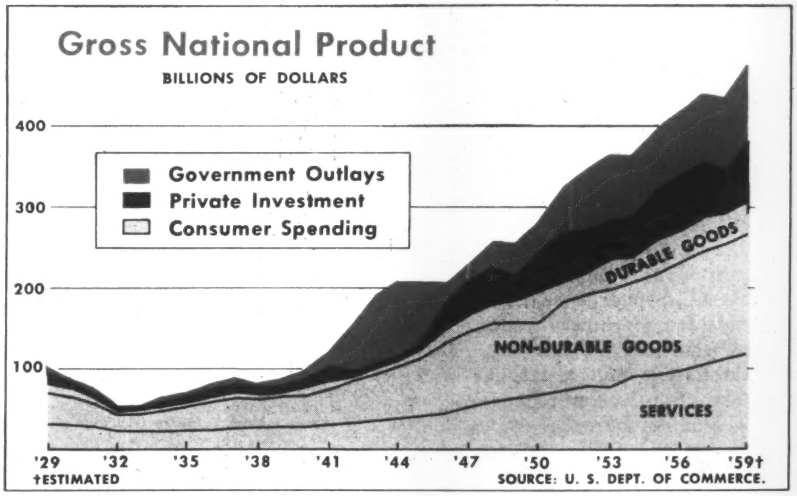
And with the benefit of a slower climb in prices at least until Autumn, this means an all-time high in physical output, too. But since the number of job seekers and productivity per head will also be rising, unemployment may not be brought below the "ideal" 4 per cent level until early 1960, if then.

Our system will continue to labor until vitality returns to the business investment sector.

Despite some irregularity, vigor in inventory rebuilding should follow last year's excessive liquidation. At year-end, the stock-sales ratio for nonfarm products was well under its 1953–54 low point.

Outlays for nonfarm housing should begin to drop next quarter, but their average should remain well above value put in place during 1958.

GNP estimates prepared by EDWIN B. GEORGE, *Director of Economics, and* ROBERT J. LANDRY, *Economist.*



CONSUMER PURCHASES *of durable goods will climb 10 per cent in 1959 over 1958, nondurables 4 per cent, and services (rents, travel, amusements, and so on) 5 per cent.*

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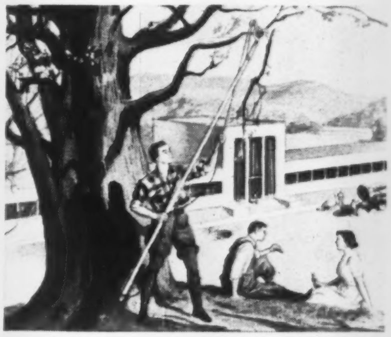

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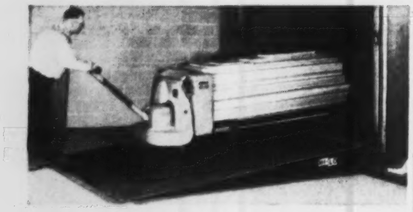
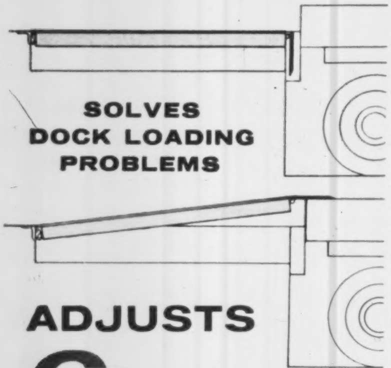


Revolutionary New Kelley

ADJUST-A-LIP DOCKBOARD



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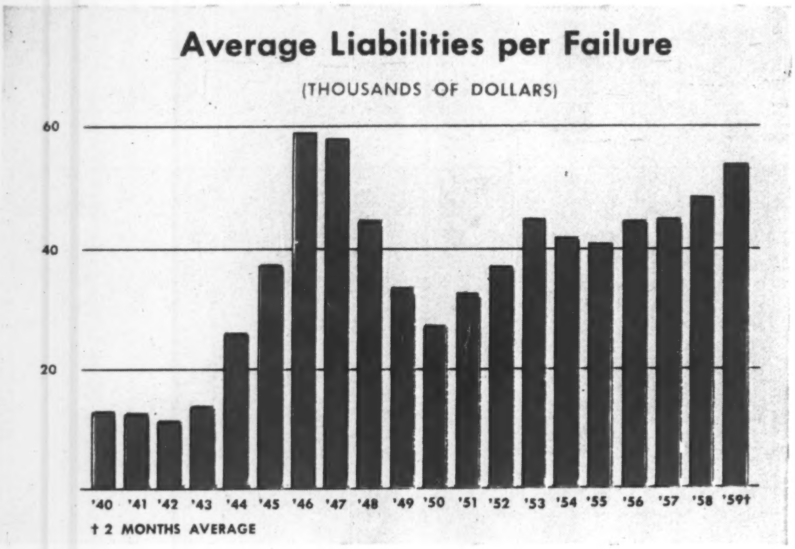
Business Failures



Casualty Toll Drops Sharply

BUSINESS FAILURES, reflecting reduced tolls in most lines and regions, dipped in February to 1,161—about 9 per cent below January and 6 per cent below the comparable level last year. Casualties occurred at an apparent annual rate of 50.9 per 10,000 enterprises listed in the DUN & BRADSTREET *Reference Book*. This rate, at a nineteen-month low, compared with 54.1 a year ago.

Dollar liabilities dropped 20 per cent during February to $58.6 million. Several failures of exceptional size, however, caused aggregate liability volume to bulk larger than in any month except January since the middle of 1958.

Commercial services suffer

In all types of business except commercial service, casualties declined from the previous month. The sharpest downturn from January occurred in wholesaling, primarily in the building materials and machinery trades. Tolls dipped generally in retailing. Only the automotive and restaurant lines showed month-to-month increases.

While manufacturing failures held about even with a year ago, mortality in the trades and construction fell 7 to 12 per cent below 1958 levels. Among retailers, casualties increased mildly in food and general merchandise stores; steadied in building materials and restaurants; dropped 27 per cent in apparel, although liabilities remained high in women's wear; and declined some 20 per cent in the furniture and automotive lines.

General builders accounted for all of the construction downturn from last year. Subcontracting casualties held steady. The contrasting rise in com-

THE FAILURE RECORD

	Feb. 1959	Jan. 1959	Feb. 1958	% Chg. †
DUN'S FAILURE INDEX*				
Unadjusted	59.0	52.6	63.3	— 7
Adjusted, seasonally	50.9	51.1	54.1	— 6
NUMBER OF FAILURES	1,161	1,273	1,238	— 6
NUMBER BY SIZE OF DEBT				
Under $5,000	164	172	163	+ 1
$5,000–$25,000	543	629	586	— 7
$25,000–$100,000	340	335	364	— 7
Over $100,000	114	137	125	— 9
NUMBER BY INDUSTRY GROUPS				
Manufacturing	207	215	208	— 0.5
Wholesale trade	104	132	112	— 7
Retail trade	582	642	662	—12
Construction	164	188	177	— 7
Commercial service	104	96	79	+32
LIABILITIES (*in thousands*)				
CURRENT	$58,592	$73,564	$65,295	—10
TOTAL	58,592	73,564	65,652	—11

*Apparent annual failures per 10,000 enterprises listed in the DUN & BRADSTREET *Reference Book*.

†Percentage change, February 1959 from February 1958.

In this record, a "failure" occurs when a concern is involved in a court proceeding or in a voluntary action likely to end in a loss to creditors. "Current liabilities" here include obligations held by banks, officers, affiliated and supply companies, or the governments; they do not include long-term publicly held obligations.

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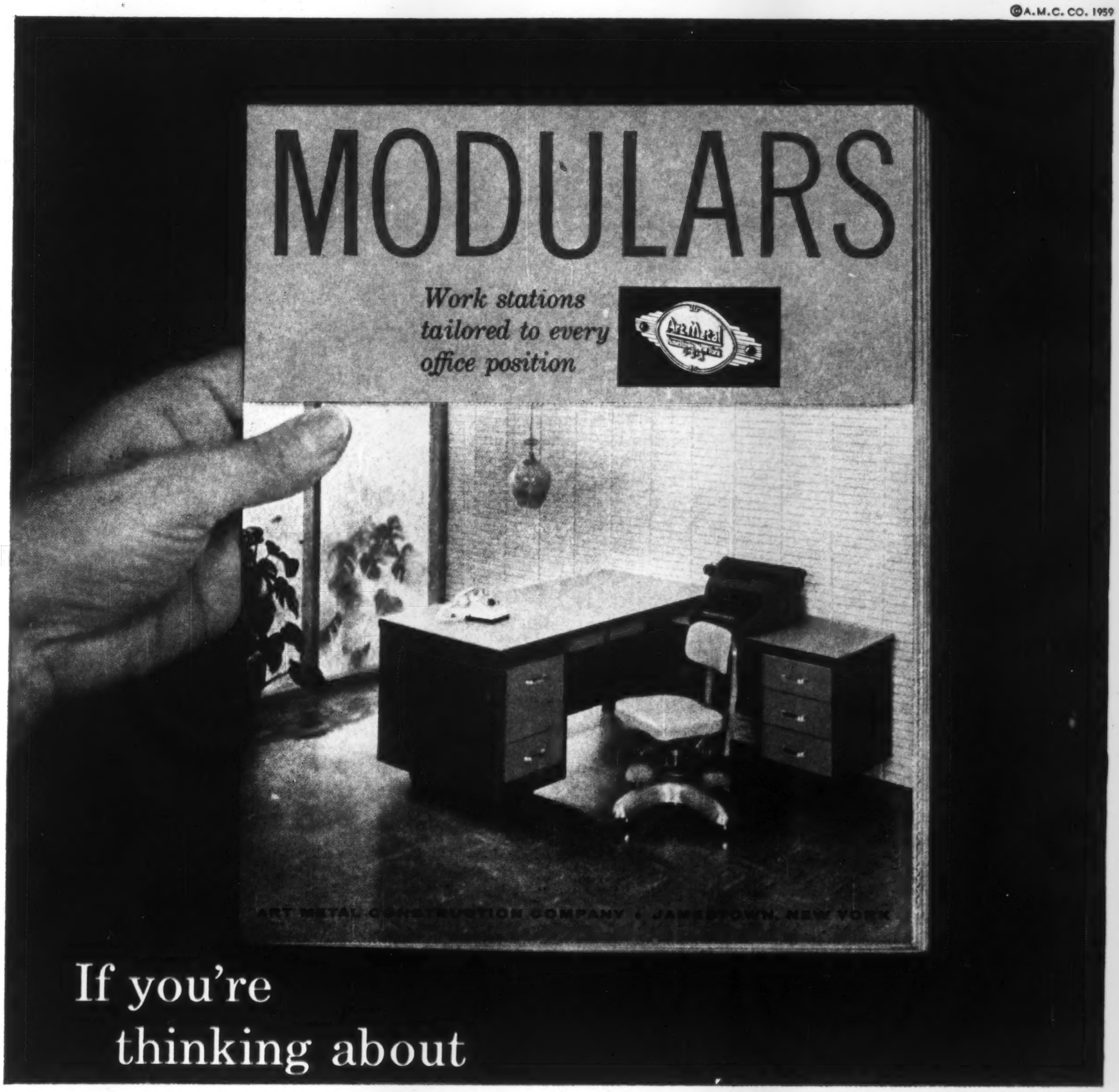
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TEXACO

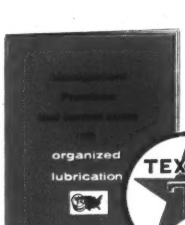
Good bet: You're paying for lubricants you don't need

Does this case sound familiar to you?

A midwest firm was buying lubricants on the recommendation of every department head, foreman or even operator. Inventory — often duplicated — was scattered all over the plant, yet shortages in one spot were never related to overstocks in another. The result: costly overstocking, extra handling, increased dangers of misapplication.

Management then instituted an Organized Lubrication Plan. Now they use 20 lubes instead of 97, have cut their purchase orders from 300 to 12 per year. Direct savings are estimated at thousands of dollars annually.

Can Organized Lubrication save money in your plant? Contact your local Texaco Engineer or write for "Management Practices that Control Costs via Organized Lubrication." The Texas Company, 135 East 42nd Street, New York 17, N. Y., Dept. D-81.



TEXACO

LUBRICATION IS A MAJOR FACTOR IN COST CONTROL mercial service lifted its toll almost a third above a year ago, the principal boost coming from transportation concerns and dry cleaning enterprises.

The trouble spots

Geographically, business mortality in most regions dipped below the preceding month and below February 1958 as well. Only the Middle Atlantic and East North Central States suffered heavier casualties than last year. New York, Ohio, Illinois, and Wisconsin were largely responsible for these two regional increases.

In the other seven regions, declines from 15 to 29 per cent prevailed. Considerably fewer businesses failed than in the previous year in Louisiana, Oklahoma, Mississippi, Kansas, and Minnesota, while the Pacific States total dipped to the lowest level in three years.

Large cities reported a sharper downturn from January than nonmetropolitan districts, but both areas had about the same decrease from year-ago levels.

FAILURES BY DIVISION OF INDUSTRY

	Cumulative total		Liabilities in million $	
	January–February			
	1959	1958	1959	1958
MINING, MANUFACTURING...	422	427	34.5	49.2
Mining—coal, oil, misc....	10	13	1.9	2.8
Food and kindred products.	27	28	2.3	1.6
Textile products, apparel..	81	90	3.5	5.1
Lumber, lumber products..	77	76	3.3	9.0
Paper, printing, publishing.	29	29	1.4	1.3
Chemicals, allied products.	13	6	0.7	0.2
Leather, leather products..	16	20	1.2	3.3
Stone, clay, glass products.	9	13	1.4	2.2
Iron, steel, products......	23	26	1.9	1.7
Machinery...............	44	44	4.2	2.8
Transportation equipment.	15	11	1.5	7.5
Miscellaneous............	78	71	11.2	11.9
WHOLESALE TRADE..........	236	242	15.8	11.4
Food and farm products..	47	53	4.3	2.3
Apparel.................	9	18	0.4	1.1
Drygoods...............	4	10	*	0.3
Lumber, bldg. mats., hdwre	26	29	2.4	2.6
Chemicals and drugs......	10	7	0.3	0.1
Motor vehicles, equipment.	20	11	1.9	0.2
Miscellaneous...........	120	114	6.6	4.7
RETAIL TRADE.............	1,224	1,338	55.5	43.8
Food and liquor.........	189	174	7.4	4.2
General merchandise......	69	57	2.2	2.9
Apparel and accessories...	210	264	16.4	8.6
Furniture, furnishings.....	161	173	6.0	7.0
Lumber, bldg. mats.. hdwre	80	95	2.5	4.2
Automotive group........	152	192	4.9	8.0
Eating, drinking places....	216	232	8.4	5.8
Drug stores.............	17	25	0.6	0.5
Miscellaneous...........	130	126	7.1	2.6
CONSTRUCTION.............	352	353	15.2	18.6
General bldg. contractors.	111	151	6.6	10.1
Building subcontractors...	210	182	6.7	6.9
Other contractors.........	31	20	2.0	1.5
COMMERCIAL SERVICE.......	200	157	11.1	6.7
TOTAL UNITED STATES......	2,434	2,517	132.2	129.7

Liabilities are rounded to the nearest million; they do not necessarily add up to totals.

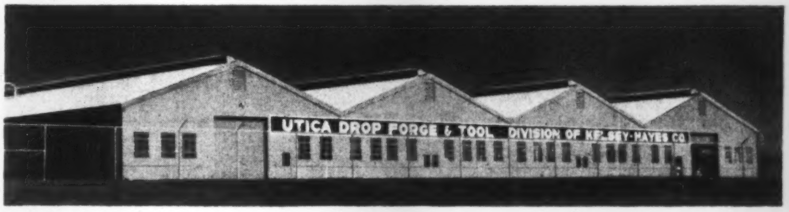
*Less than $100,000.

This report was prepared in the Business Economics Department by Rowena Wyant.

Industry finds a better way to build...

ARMCO STEEL BUILDINGS

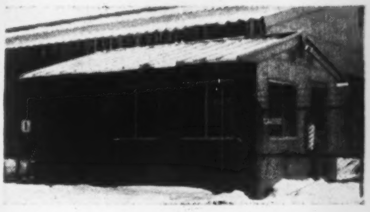
Kelsey-Hayes Co., Utica Drop Forge and Tool Division meets 10 different building needs in sizes from 180 to 80,000 sq. ft. —all with factory-made Armco Steel Buildings.



Here's the practical way to industrial expansion and improvement. Meet *all* your building needs with precision-made, factory-engineered Armco Steel Buildings.

For their Utica area facilities, The Kelsey-Hayes Company bought 11 Armco Buildings within a year and a half—and in each case these versatile buildings met a different size requirement—from a 10′ x 8′ gate house to a 240′ x 340′ production area.

Just as important, the Armco method of construction provides the flexibility you need for location, size and type of doors and windows; interior and exterior finish and other important construction features.



Comfortable gate house is typical example of small Armco Building.

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WASHINGTON Business Front

JOSEPH R. SLEVIN

✓ *Administration sees moderate wage settlement in steel as essential to holding the wage-price line.*

✓ *Corporations have been using idle cash to buy up Federal deficit-financing securities from commercial banks.*

✓ *Government economists, scanning the economic horizon, can detect nothing that might spark a new boom this year.*

WASHINGTON, D.C.—The Eisenhower Administration is keeping an increasingly fretful watch on wage negotiations in the big industries. The critical weeks of decision are at hand. Negotiation of new contracts to replace the rubber industry agreements that expired this month will be followed by major tests in a large number of other industries, notably apparel, communications, shipbuilding, steel, copper mining, meat packing, stevedoring, and rail transportation.

There's no secret about which collective bargaining situation worries the Administration most. It's the talks between the United Steelworkers of America and the big steel companies. The three-year steel contracts expire June 30. The outcome of the steel negotiations will have a profound impact on settlements in other industries and on the course of business activity for many months to come.

Holding the price line

The kind of settlement the Administration would like to see has become common knowledge. The President and his advisers want the steel companies and the union to sign collective bargaining contracts that will not lead to price increases.

Mr. Eisenhower is fighting a determined battle to check two powerful inflationary forces. One is the kind that is generated by big budget deficits. On that front, he is pressing his campaign to place a tight lid on Federal expenditures. The other is the type that flows from outsized wage increases which force companies to raise prices. Here the steel industry is the test case.

The President first entered the struggle openly in late February when he declared that the steel wage settlement should be held to an amount that does not exceed the productivity increase in steel. He didn't say so at the time, but he did not mean to suggest that the full amount of rising steel productivity should flow into steelworkers' pay envelopes. Mr. Eisenhower and his advisers are well aware that stockholders can be expected to claim part of any rise in productivity and that consumers would be pleased to find that some part of the gain had been passed on to them either in the form of improved products or as lower prices.

Why Ike spoke out

The Chief Executive broke a firm policy of not discussing individual collective bargaining negotiations when he made his comments on the steel situation. He changed his position because he is deeply anxious to obtain moderate settlements in steel and other industries. But he has no plans to have the White House actively mediate labor disputes as it did under Mr. Truman.

The Administration considers the steel negotiations crucial for two reasons. One is that a boost in steel prices would lead to higher costs and higher prices for many products. The other is that the steel settlement will influence the size of the wage packages in other industries. Union officials will be under pressure to do as well for their members as Steelworker president David J. McDonald does for his. The less Mr. McDonald gets, the less other union leaders will be expected to win.

Profits spur union demands

Official Washington is less optimistic about the prospects for labor peace than it was a few months ago. It now seems clear that corporations will earn large profits this year and that the size of the prospective corporate earnings has whetted the appetites of union bargaining committees. They are beefing up their demands for higher wages, shorter hours, greater protection against job displacement and temporary unemployment, and other fringe benefits.

"Sizable wage increases should be the general rule" in 1959, the AFL-CIO said recently. The climate is "favorable," it declared.

Management's attitude has yet to be revealed. Company executives were tough, very tough, during last year's recession. It remains to be seen whether they will stay tough and will be prepared to take costly strikes this year or whether, instead, they will yield to union pressures for the sake of keeping production humming.

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B&O BALTIMORE & OHIO RAILROAD

The line of SENTINEL Service—TIME SAVER Service—TOFCEE Service

Management traditionally has not been too hard to get along with during periods of rising business activity. But Mr. Eisenhower's repeated appeals for self-discipline may have wrought a change.

Big ones still to come

A total of 155 contracts covering 3 million workers expire in 1959. Some agreements already have been negotiated. But the biggest and most difficult still are ahead.

In addition to steel, June contract expirations include the West Coast shipbuilding and longshore agreements, copper mining, and long lines telephone workers. Aluminum contracts expire in July. Meatpacking agreements terminate in August. Can manufacturing and East Coast longshore expirations are slated for September. The schedule will reach a climax in October. That's the expiration month for contracts that cover 1 million railroad workers.

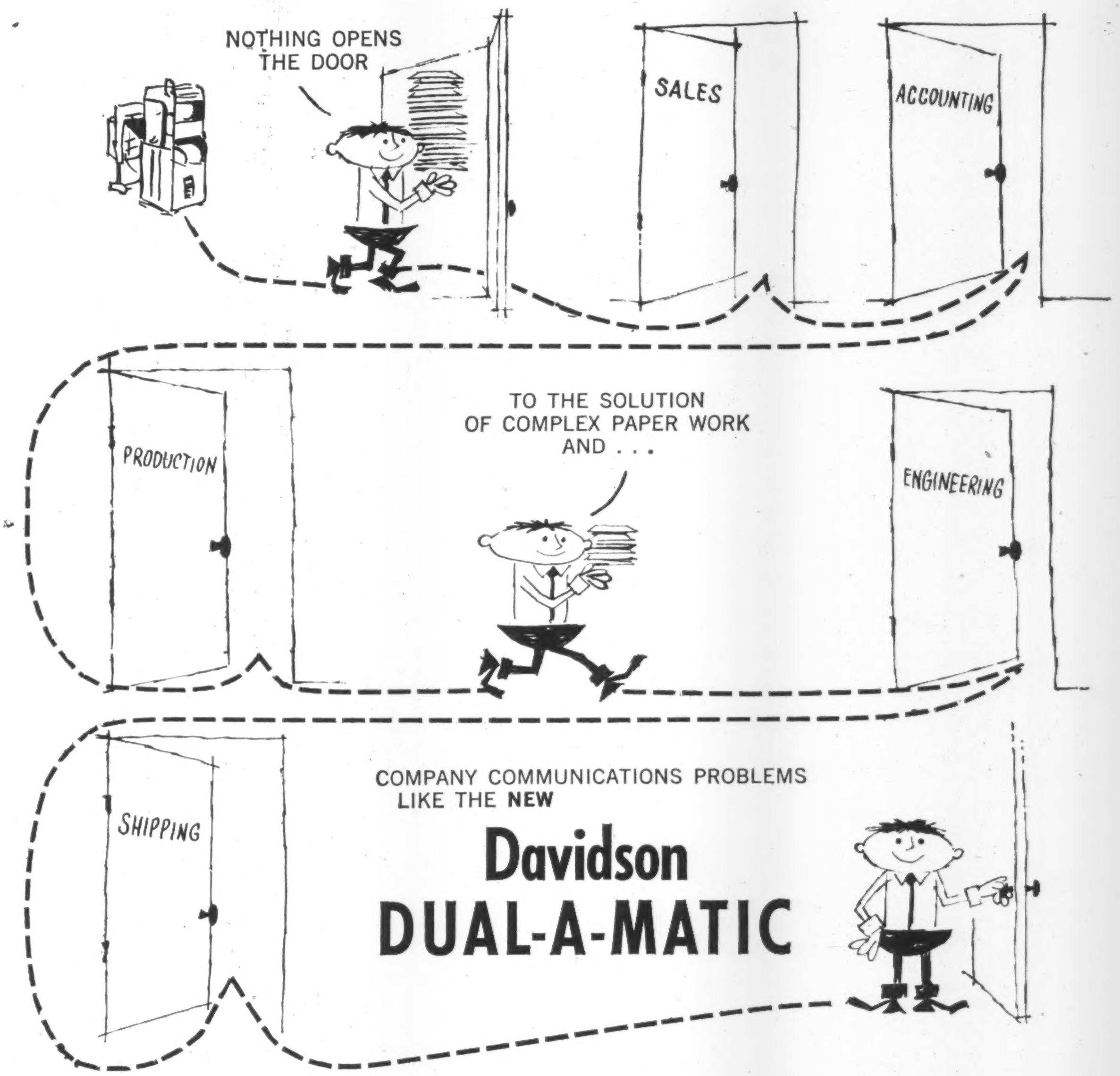
Who's holding the bag?

Secretary of the Treasury Robert B. Anderson rarely passes up a chance to warn the country that one reason why deficits are bad medicine is that they can force the Treasury to adopt the inflationary policy of borrowing from the banking system. The Cabinet officer has made the point so often and with such emphasis that he undoubtedly has led many people to believe that the banks must be financing this year's record peacetime $12.9 billion red-ink entry. But it hasn't worked that way at all.

The surprising and little known fact is that Mr. Anderson has succeeded in doing most of the Government's borrowing outside of the banking system. Up-to-date figures are not available, but the next batch of banking reports may even show that he has managed to finance the entire deficit from nonbank sources.

It's true that commercial banks have been the biggest takers of the deficit-financing securities which Mr. Anderson has sold since the fiscal year began last July 1. But the banks haven't kept what they have bought. They have resold most of the new securities to nonbank investors. In some instances, they have kept the new Treasury obligations but have avoided increasing their total holdings of Government securities by selling other Federal issues.

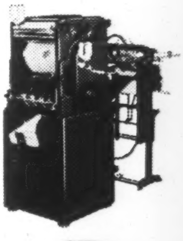
continued on page 26


NOTHING OPENS THE DOOR
SALES
ACCOUNTING
TO THE SOLUTION OF COMPLEX PAPER WORK AND . . .
PRODUCTION
ENGINEERING
SHIPPING
COMPANY COMMUNICATIONS PROBLEMS LIKE THE NEW
Davidson
DUAL-A-MATIC

This is the *new* DUAL-A-MATIC. One of many Davidson Dual-Liths designed to fit individual in-plant reproduction requirements exactly.

The DUAL-A-MATIC introduces new ease of operation into high speed, short run offset reproduction. Just press a button and let DUAL-A-MATIC take over reproducing your forms, bulletins, engineering drawings, reports and promotional material with wonderful savings in time and money. Solidly built, too . . . to last several lifetimes of lesser equipment. And 27% fewer parts assure economical, trouble free operation.

There are nine other Dual-Lith models. All open doors to increased efficiency and improved, better looking company communications. See them soon. We'd be glad to send you the name of your Davidson distributor . . . and a persuasive booklet! Davidson Corporation, subsidiary of Mergenthaler Linotype Company, 29 Ryerson Street, Brooklyn 5, N. Y.



Davidson

DAVIDSON CORPORATION
Subsidiary of Mergenthaler Linotype Co.,
29 Ryerson Street, Brooklyn 5, N. Y.

I want to know more about the new DUAL-A-MATIC. Please send booklet and the name of my Davidson distributor.

Name______________________________

Title______________________________

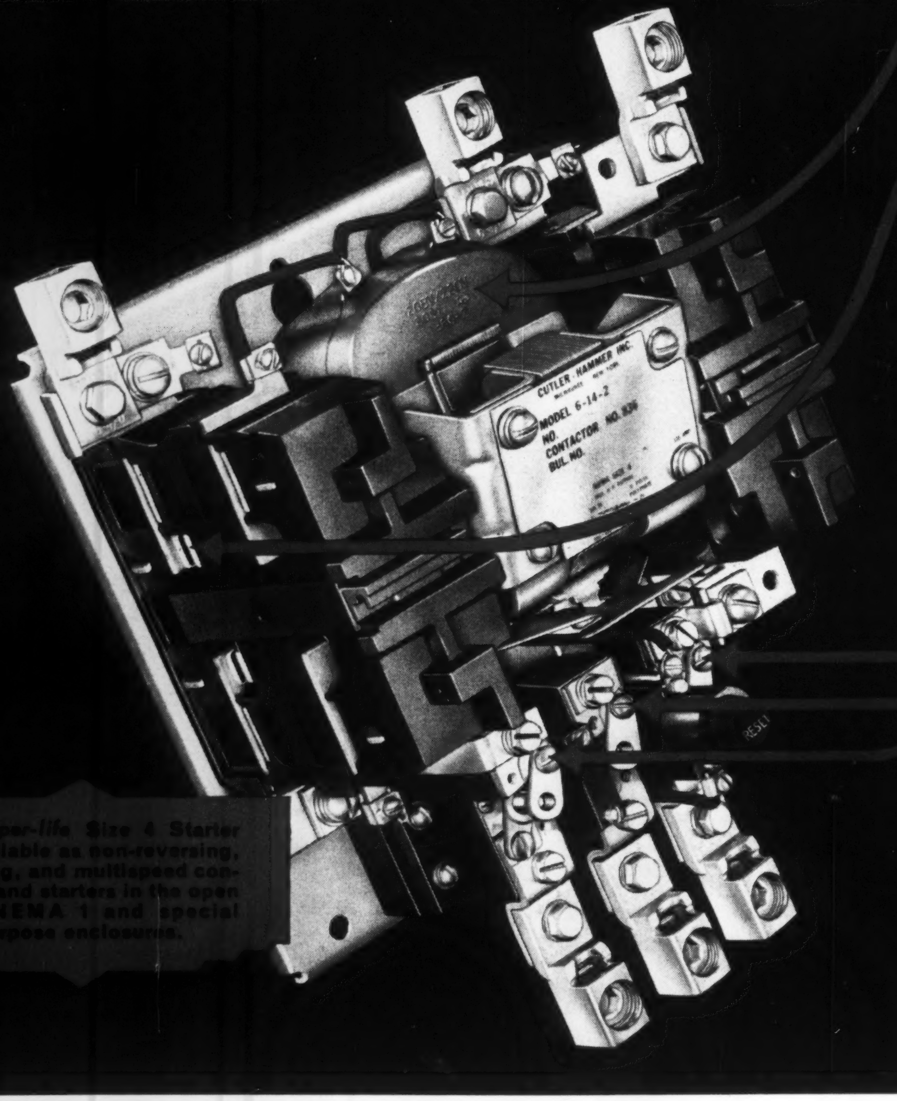
Company___________________________

Address____________________________

City__________Zone______State_ DR-459

YOU CAN PROVE

Cutler-Hammer Motor Control works better . . . lasts longer



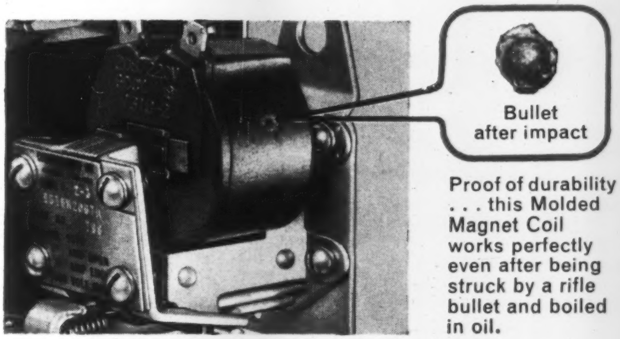
New *super-life* Size 4 Starter . . . available as non-reversing, reversing, and multispeed contactors and starters in the open type, NEMA 1 and special purpose enclosures.

CUTLER-HAMMER

Cutler-Hammer Inc., Milwaukee, Wis. • *Division:* **Airborne Instruments Laboratory.** • *Subsidiary:* **Cutler-Hammer International, C. A.**
Associates: Canadian Cutler-Hammer, Ltd.; Cutler-Hammer Mexicana, S. A.; Intercontinental Electronics Corporation.

MOLDED MAGNET COILS

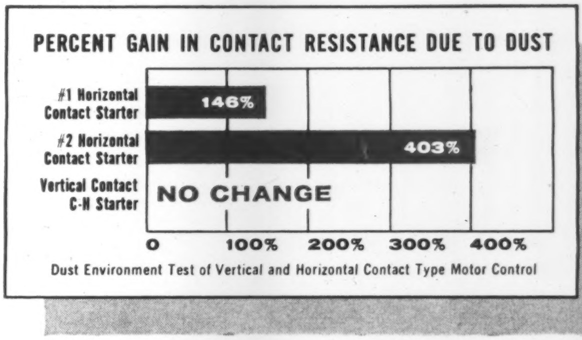
The strength and durability of the Cutler-Hammer Molded Magnet Coil is but one example of how Cutler-Hammer Motor Control is built better to last longer. Rifle bullets couldn't pierce or shatter this coil. What chance is there of it being damaged when an electrician's screwdriver slips or when the coil is dropped? Boiling oil has no effect on this coil. What chance is there of it ever being penetrated by moisture or distorted by high ambient temperatures?



Proof of durability . . . this Molded Magnet Coil works perfectly even after being struck by a rifle bullet and boiled in oil.

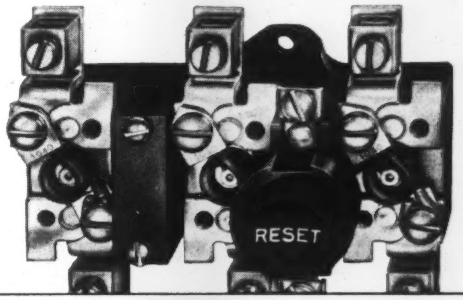
VERTICAL DUST-SAFE CONTACTS

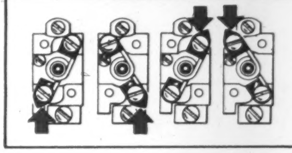
To function properly motor control contacts *must* stay clean. And because dust can't collect on a vertical surface, only vertical contacts are truly *dust-safe*. Recent dust-chamber tests of vertical and horizontal contact type motor starters confirm this fact. After four hours of "dusting," the contact resistance of Cutler-Hammer vertical contacts remained constant. But the contact resistance of horizontal contacts skyrocketed, and as contact resistance increases so does heating, pitting, and wear resulting in rapid contact failure.



ADJUSTABLE 3-COIL OVERLOAD RELAYS

Only 3-coil overload relays can provide dependable overload protection for three-phase motors under all operating conditions. Why gamble with costly motor burnouts by using motor control that protects only two of the three motor windings? 3-coil overload relays can be provided in all standard Cutler-Hammer Motor Control, no oversize enclosures, or as an open component for low cost panel mounting. Further, Cutler-Hammer Overload Relays are adjustable to within 3% of full load motor current, not 10% or 12% as others. Cutler-Hammer Overload Relays allow the motor to work up to full capacity, provide positive protection without nuisance tripping.





Heater coils can be placed in any of the four positions to adjust the overload trip point to within 3% of full load current.

Molded magnet coils, vertical *dust-safe* contacts, and adjustable 3-coil overload relays are *plus* features that add up to bonus performance wherever Cutler-Hammer Control is used. Why settle for less when Cutler-Hammer Motor Control costs no more. Write today for Pub. EN150-G270. Cutler-Hammer Inc., Milwaukee 1, Wisconsin.

DANGER
MEN
WORKING

DANGERS of launching a NEW PRODUCT

Snell Research can help overcome them

Here's how, in some typical case histories of Snell clients:

Product Research and Development—A few years ago Snell was retained to develop new products, applications, and markets for sugar. Extensive research and development work by Snell resulted in the creation of a new synthetic detergent—based on *sugar!*

Product Application—A Snell client in the paper industry, for whom we had developed a fine additive, wanted to explore uses in other fields. Unfortunately, their highly qualified staff's experience was limited to the one field. Snell, with experts in practically every product field, found the new product has potentialities as both a good emulsifier and a paint plasticizer. Only the very largest manufacturing companies can duplicate the breadth of experience and background the Snell "brain-trust" of technical experts can offer you!

Product Improvement—One Snell client found their product, an adhesive bandage, slipping in quality. Tape was going gooey in storage on druggists' shelves. Snell research helped this client bring his product quality up to equal the best on the market, and retain his share of sales.

Product Evaluation—A Snell brewery client wanted to expand production and take advantage of a more efficient production technique but feared the taste of the beer might suffer. Snell food technologists, taste panels, and engineers checked the new process and hundreds of samples of beer made under new and old systems, recommended the switch to the more profitable modern process. The change went unnoticed by the customers, and sales continued to climb.

Market Research—A Snell client with a waste product had briefly considered building a plant to use it to manufacture another product; but had given up after their own brief survey showed the new product to be already overproduced. When they consulted Snell for checking, however, Snell predicted there would be a shortage within three years. The client waited two years, built the plant—and now has a profitable new product instead of a waste!

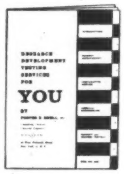
Toxicology—One of the largest frozen food companies began getting complaints on the flavor of one of their green vegetables. Since hundreds of thousands of dollars were at stake, they consulted Snell to find out what was wrong. Snell by analyzing tests, and checking on the farm, was able to prove that the taste—actually toxic—was due to a new type of insecticide sprayed on the fields hundreds of yards away on a windy day long before the harvest!

Engineering—A large midwestern firm desired to produce its own brand of instant coffee, to possess outstanding flavor, body, and bouquet. They engaged Snell to handle all details, from design to engineering, to supervision of actual process startup. The fine qualities "built into" this resultant product made it such a success that Snell was commissioned to enlarge the plant, which has recently gone into production.

What's Your Product Problem?—Whatever it is, and whatever your product field—chemicals, chemical specialties, personal products, pulp and paper, protective coatings, plastics, textiles, foods, petroleum, rubber—Snell has men who "know the score" in that field, and who can work with you creatively and profitably in developing, producing, protecting, and marketing new ideas. This broad experience can be decisive in protecting not only your ideas, but also the thousands of dollars you spend developing them. And the cost of Snell service is less than you might imagine! Half the jobs we do cost less than $1000!

SEND FOR FREE BOOKLET

On Research Development & Testing "SERVICES FOR YOU." It tells you how Snell can serve YOU! No obligation, of course. Foster D. Snell, Inc., Dept. D-4, 29 West 15th Street, N. Y. 11, N. Y.



FDS SNELL

New York, N. Y.
Baltimore, Md.
Bainbridge, N. Y.
Worcester, Mass.

Big corporate profits are responsible for this happy set of circumstances. Earnings have been climbing more rapidly than corporations have been adding to their inventories or to their capital equipment buying programs. The corporations have large quantities of idle cash on hand and have been using the money to purchase Government securities from the banks.

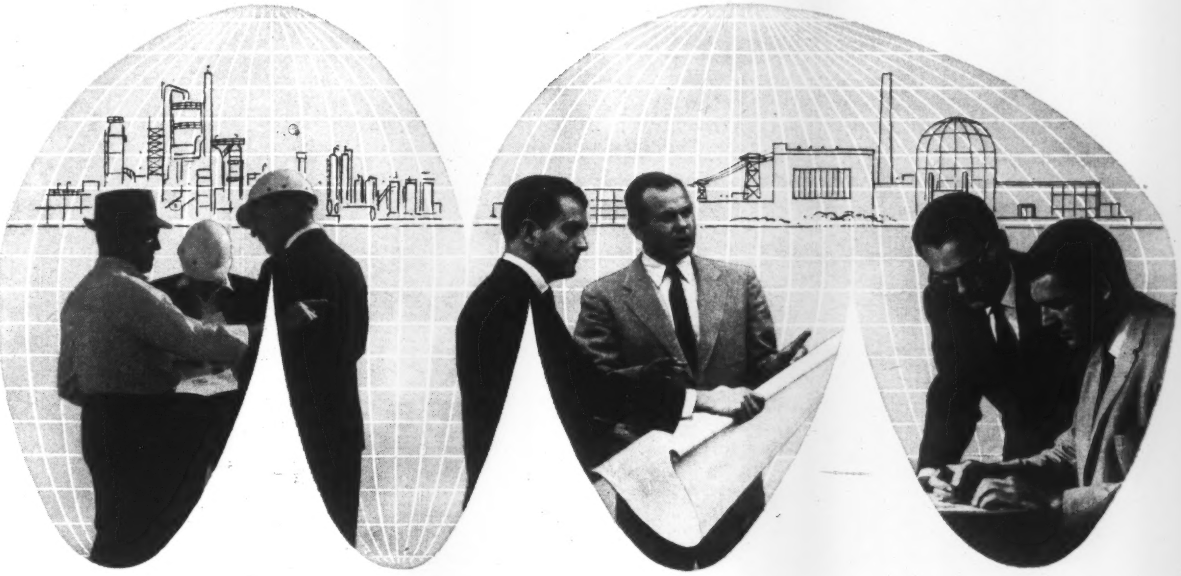
The corporations will need their money later this year and in 1960 as their outlays increase. They are buying mostly short-term securities so that they will be able to get cash when they want it. When the corporations sell Government bonds to get needed cash, Mr. Anderson will have to look around for other buyers.

No signs of a boom

Economists are fond of saying that you never can tell what it will take to touch off a new boom. Most economic forecasters didn't anticipate the huge 1955 automobile demand or the tremendous business demand for capital goods that followed in 1956. When Government economists look ahead now, they are unable to detect any sign of a new break-out on the upside. They expect the current rise in business activity to slow after midyear unless there is a sharp upturn in consumer or business spending, but they don't think either is likely to happen before late 1959 at the earliest. That leaves a grave worsening of international tensions as the only other development the Federal experts think could spark a fresh boom.

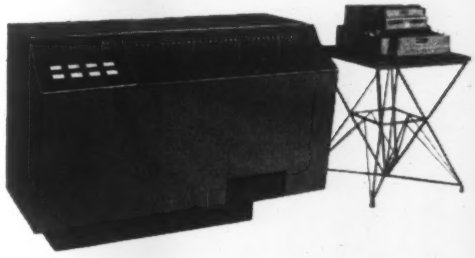
Defense buying shifts

The product mix being bought by the Pentagon is continuing to change markedly. The shift began in fiscal 1958. It's continuing this year, and it's due to carry into fiscal 1960—the year which begins next July 1. The Department of Defense is boosting outlays for missiles, ships, and electronics equipment and is cutting outlays for aircraft and ammunition. Planes took 58.5 cents of every procurement dollar in fiscal 1957 but will take only 45 cents in 1960. The share of missiles is due to jump from just over 15 cents in 1957 to 27 cents in 1960. The allotment for ships will jump from 6.5 cents to more than 11 cents, while the share for electronics and communications equipment will rise from 6.5 cents to slightly above 7 cents. END *fifth in a series*



FROM REFINING IN TEXAS TO FISSION IN FRANCE...

Only the RW-300 Digital Control Computer
is providing fully automatic control
of complete industrial processes.



The RW-300 Digital Control Computer is the most powerful tool available today to control entire industrial processes and to provide useful data from manufacturing and testing operations. Connected directly to measuring instruments and control devices, the RW-300 collects and interprets operating data, makes control calculations and decisions, and operates valves, starts and stops motors, and takes all the other control actions necessary for fully automatic operation.

By exercising fast, effective control, the RW-300 reduces operating costs, improves product quality, and increases production. It also computes and prints out large quantities of useful data simultaneously with its performance of the control function.

Some of the world's largest companies have purchased the RW-300 Digital Control Computer for uses ranging from the completely automatic control of an oil refinery unit in Texas to the monitoring of a nuclear reactor in France. Additional RW-300 installations are under way in such fields as chemical manufacturing, cement making, air traffic control, equipment testing, and data reduction.

The RW-300 is one example of the diversified products built by TRW that are contributing to the productivity and efficiency of modern industry. The Thompson-Ramo-Wooldridge Products Company, a division of Thompson Ramo Wooldridge Inc., performs systems engineering and marketing for the RW-300, which was designed and is manufactured by the Ramo-Wooldridge Division.

For further information, call or write: Director of Marketing, The Thompson-Ramo-Wooldridge Products Company, P. O. Box 90067 Airport Station, Los Angeles 45, California, OSborne 5-4601.

TRW

Thompson Ramo Wooldridge Inc.

Main offices • CLEVELAND 17, OHIO • LOS ANGELES 45, CALIFORNIA

LOOK *for improvements in industrial handcleaners*

FREE
TRIAL
OFFER

A NEW WAY to clean working hands

There has never been such a combination of *plus* features to keep workers' hands healthy—and therefore on the job day after day!

It's a brand new scientific formulation — non-depleting Lan-O-Kleen *PLUS*.

It's WEST'S famous Lan-O-Kleen handcleaner . . . *plus* a softer scrubbing action . . . *plus* a gentler sudsing action . . . *plus* a soothing lanolin action!

All of which combine to combat the depletion of natural skin oils while hands are being washed clean.

Highly important is the exclusive process that keeps the rich lanolin content of Lan-O-Kleen *PLUS* "free" to soothe and soften. Lanolin is impregnated into a corn meal base, instead of being "held" in the soap by conventional methods. In this way, it is instantly released for more positive, beneficial action.

Lan-O-Kleen *PLUS* is dispensed from a patented, precision-action unit. A clog-proof measuring valve with a mechanical agitator delivers a thrifty, yet adequate individual portion. More than 435 pairs of hands can be washed with each dispenser filling.

FREE TRIAL OFFER. We'd be glad to send five pounds of Lan-O-Kleen *PLUS* and loan a dispenser for free trial. Or we'll send a smaller sample for evaluation. Just call your local WEST office. Or mail the coupon to our Long Island City Headquarters, Dept. 1.

☐ Supply a dispenser and 5 lbs. of Lan-O-Kleen *PLUS*.
☐ Send a small sample of Lan-O-Kleen *PLUS*.

Name______________________________

Position____________________________

PROGRAMS AND SPECIALTIES
FOR PROTECTIVE SANITATION
AND PREVENTIVE MAINTENANCE

WEST CHEMICAL PRODUCTS INC.

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Voice of Industry

- *Prices and tariffs peril trade*
- *Socialism on the installment plan*
- *Cutting the national overhead*
- *Will the public foot the bill?*

H. G. BIXBY, *president, Ex-Cell-O Corp.*

Ten Years of Grace

Americans have the false impression that the rest of the world cannot get along without them. There is far too much complacency in this country. Believe me when I say that we don't have more than ten years to get over this complacency.

Too long have we said that European products are no good, that we can do everything better. Foreign nations are making great strides in their technology. There are strong pressures in many countries to buy products produced at home, despite their higher costs and possible inferiority.

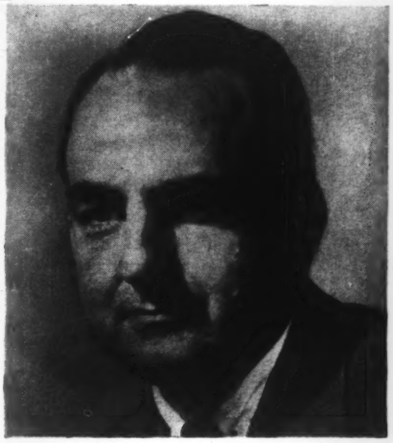
We've made a fetish of free competition within our own country but have erred in assuming that competition is only good inside America.

Tariffs go hand-in-glove with arbitrary bans on trade with politically opposed nations. Refusal to trade with Russia and Red China will not hold them down. It may make their development more difficult, but they will get what they want elsewhere. In the meantime, world tensions and distrust will continue.

We can't wall off the United States from the rest of the world. We have no monopoly on natural resources, on brains, or even on technical wisdom.

Of course, as we reduce our barriers to imports, foreign nations must reciprocate in reducing their trade barriers against our exports. Foreign trade is a two-way street.

From a speech before the Cutting Tool Manufacturers Association.



J. RUSSELL DUNCAN, *president, Minneapolis-Moline Company*

The Price of Luxury

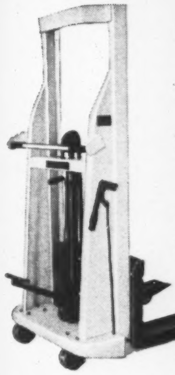
The major factor exciting the fires of inflation is high overhead in the office and factory, in the local and Federal Government, and in the home.

The care and feeding of an employee comes high these days; in addition to his salary, all his "fringe benefits" go into the company overhead and eventually into prices.

Consider, too, the "brick and mortar" overhead—the $37 billion American industry spent last year on new plants and equipment. If we would cut out the frills in industrial construction and the inefficiency in production, the same expenditures would help us keep pace with Russian growth,.

The Federal Government, which is now spending one-fifth of our gross

3 TOP VALUES
From Among 80
BIG JOE
Lift Truck Models



1
"the PEDALIFT 21"
$199.00 complete
1000 lb. capacity
54 in. lifting height

2
"the 299"
$299.00 complete
1000 lb. capacity
57 in. lifting height
Battery Operated

3
"the CHALLENGER"
$397.50 complete
1500 lb. capacity
57 in. lifting height
Battery Operated

Hydraulic Handling for
EVERY Department
BIG JOE
Manufacturing Company
Ralph Hines Road
Wisconsin Dells, Wisconsin

national income, is changing into a Frankenstein that is above all economic laws, piling up overhead on the people, choking out individual responsibility and initiative, and breeding a race of bankrupt dependents.

I think it is every free man's prerogative to decide how much burden he is willing to assume for the sake of his family's happiness. But don't forget that, when the pressure on our pocketbooks becomes too great, there's only one resort: ask the boss for a raise. When this is enacted in homes all over the nation, it becomes easier to understand the wage-price inflationary spiral.

From a speech before the Los Angeles Rotary Club No. Five.

ELMER L. LINDSETH, *president, The Cleveland Electric Illuminating Company*

Collectivised Americans

The American, as the world knew him not many years ago, is today a vanishing breed. The thing he feared most—the thing he tried to prevent in his Constitution—is happening apace. The bonds he placed on Government have been loosened, one by one, while for the most part he stood idly by. And the American people are fast becoming regimented into the mediocrity of collectivism.

The Government has become the most dominant single factor in our economy. It buys, sells, competes, regulates, protects, subsidizes, manufactures, lends, borrows—and spends on a corresponding scale.

Competent economists say a free society is in trouble when 20 to 25 per cent of its wealth goes to government in taxes. Today, our various levels of government—local, state, and Federal—take more than 30 per cent of the wealth we create.

continued on page 32

FOR CRANE CO., PIONEER OF VALVES FOR ATOMIC SERVICE . . .

U.S.S. NAUTILUS

Bruning Copying Machines Sink Paperwork Problem, Speed Vital Receiving Operations!

At Crane Company's Chicago Works, worlds largest valve and fitting manufacturing plant, Bruning Copyflex copying machines have eliminated the typing of thousands of receiving reports.

With Copyflex, the purchase order is typed once on a multiple-part form. The transluscent top sheet of the form is sent to the receiving department where receipts are entered in pencil. Directly from this sheet, Copyflex produces exact, color-coded receiving copies in seconds.

Copyflex has enabled efficient "straight-line" handling of materials, has centralized receiving department paperwork reducing areas from eight to two, has slashed time and clerical work for processing orders by 20%.

You, too, can make substantial paperwork savings with Copyflex. Machines are clean, odorless, economical—letter-size copies cost less than a penny each for materials. Call your nearby Bruning office, today, or write: Charles Bruning Co., Inc., 1800 Central Rd., Mt. Prospect, Illinois. In Canada: 105 Church St., Toronto 1, Ontario.

Copyflex Model 110. Copies originals 11" wide by any length. Only $555. Other models available with copying widths up to 54". All machines available on Lease-Purchase Plan.

BRUNING Copyflex

How the new

AVIS CORPORATE TRAVEL PLAN

reduces outstanding travel expenses!

AS TOLD TO US BY

DORR-OLIVER

Dorr-Oliver is a world leader in engineering and heavy process equipment. Over 400 executives and technical men make it a point to be in the *right* place at the *right* time. *Dorr-Oliver has succeeded in reducing their total annual cash advances in the order of $35,000!*

Here's what the treasurer's office told us: Traveling personnel save all the time they can by flying. They get the flexibility and convenience they need by driving rented cars from the nearest airport. But the problem of individual bills and vouchers from every car-rental point dictated a policy of "cash rentals only." This tied up thousands of dollars in extra travel advances.

One of the exclusive advantages of the Avis Corporate Travel Plan is the central billing procedure. It eliminates the confusion of individual accounts-payable on credit rentals. One monthly invoice makes accounting control easy and automatic. Individual transactions are identified and allocated by department, division, branch office, etc. The men who travel save time and expense accounting. The company saves bookkeeping expense. And there are substantial savings in time-and-mileage charges—in addition to the 5-figure reduction in annual cash advances!

GET ALL THE FACTS, FREE!

Whether your company travels 10 men or 10,000—write for information, on your business letterhead. No obligation! Address: AVIS (Dept. 42) 18 Irvington St., Boston 16, Mass.

Choose from all makes of fine cars featuring 1959 Fords!

Go places with AVIS® RENT-a-CAR

Brown
Cargo Vans

standard body construction . . . everywhere in the United States

Hauls Drugs in Indiana—Eli Lilly and Company, to haul drugs and supplies, needed a truck body that had side and rear openings with aluminum gates and roll-up tarps. Also window in front of body, skylight in roof, steel mud fenders and six 2" tie rings in walls. The local Brown dealer could meet all these unusual specifications. Result: 8 Brown Aluminum Units are now on the job.

Diamo
Dra
Rainier
REFRIGER
SERVIC

Draft Beer Held at Constant Temperature on Pacific Coast—Specially designed 14 foot Brown refrigerated aluminum Cargo Vans deliver brewery-fresh (40-42°) draft beer for Sicks' Rainier Brewing Company of Seattle. Special neoprene-impregnated curtains installed at both side and rear door openings help keep kegs of beer as much as 7° cooler than do ordinary insulated bodies.

Vault Storage in Tennessee—New Econ-OK-Pack vault storage system developed for do-it-yourself movers uses a modified Brown Aluminum Cargo Van Body with roller conveyors in the floor. Empty vaults are delivered to the customer and he packs his own furnishings. Vaults are then loaded into the warehouse truck by roller conveyors and liftgate.

ECON OK PACK
O.K. STORAGE TRANSFER CO.

Brown
CLARK
EQUIPMENT
Aluminum Cargo Vans

Brown is a registered trademark of Clark Equipment Company
CLARK EQUIPMENT COMPANY
BROWN TRAILER DIVISION
Box 410, Michigan City, Indiana

No matter how loudly we Americans may protest that we want no truck with socialism, we are today buying socialism by that typically American method, the installment plan.
From a speech before the Cleveland Rotary Club.

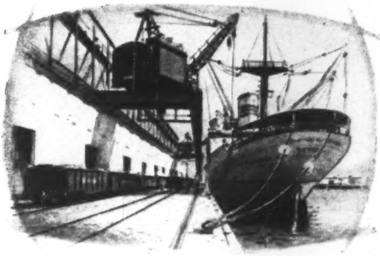
ALFRED HAYES, *president, Federal Reserve Bank of New York*

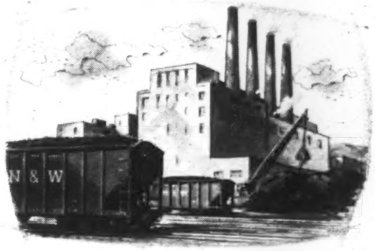
A Hard Choice

The current effort to produce a balanced budget in fiscal 1960 is a contribution of the greatest importance, not only toward fiscal responsibility, but also to monetary stability.

The argument may certainly be made that the nation needs greater useful public expenditures for defense and foreign aid or for such domestic programs as urban and highway improvements, school and housing development, and so on. The key question is, however: "If the nation wants more of these items, is it willing to give up something in order to pay for them?" In other words, is it willing to shift more of the national resources from private to public use through a heavier tax program?

With personal consumption accounting for the great bulk of private expenditures, such a shift would in all probability require a reduction in consumption of privately purchased goods and services through appropriate forms of taxation (unless, of course, the economy as a whole is growing fast enough to permit both public and private spending to expand). The reluctance of the American people to face this choice objectively, and the reluctance of many of our country's leaders to place the choice squarely before them, is one of the most disappointing features of our economy.
From a speech before the New York State Bankers Association.





3 Facts you can't overlook when you're LOOKING OVER NEW PLANT SITES

According to latest figures in the September, 1958, issue of the "Statistical Abstract of the United States" . . .

1. U. S. exports of chemicals and related products totaled $1,395,000,000. *Your new plant can effectively reach this huge overseas market if it is located in the Land of Plenty. These 6 great states served by the Norfolk and Western Railway offer direct rail connections to extensive modern facilities at the Port of Norfolk on famed Hampton Roads. Over 8,000 vessels a year sail from Norfolk and the Hampton Roads area.*

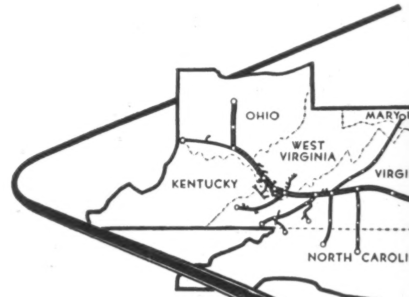
2. The dollar value of electrical energy purchased by manufacturers of chemical and related products led all other major industry groups with a total of $449,000,000.

If your new plant will be a substantial user of electricity, remember that the Land of Plenty has 1/6 of the nation's installed generating capacity, with more on the way. Electrical rates are low.

3. Fresh water intake of all U. S. plants manufacturing chemicals or related products was 2,297,000,000,000 gallons . . . second only in fresh water usage to the primary metal industries.

And the Land of Plenty has 6 of the nation's 51 largest rivers, numerous lakes, vast underground reserves, and tidewater. Rainfall is 30% above the national average.

Moreover, the Land of Plenty has vast deposits of Bituminous Coal, limestone, brines and other raw materials. Get the full story, without obligation, from Norfolk and Western's plant location specialists.



The Land of Plenty

Write, Wire or Phone:

L. E. Ward, Jr., Manager
Industrial and Agricultural Dept.
Drawer DR-829 (Phone Diamond 4-1451, Ext. 474)
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Buildings like these are manufactured from high-quality USS Structural Steel and USS Galvanized Steel Sheets made to resist hard use and severe weather.

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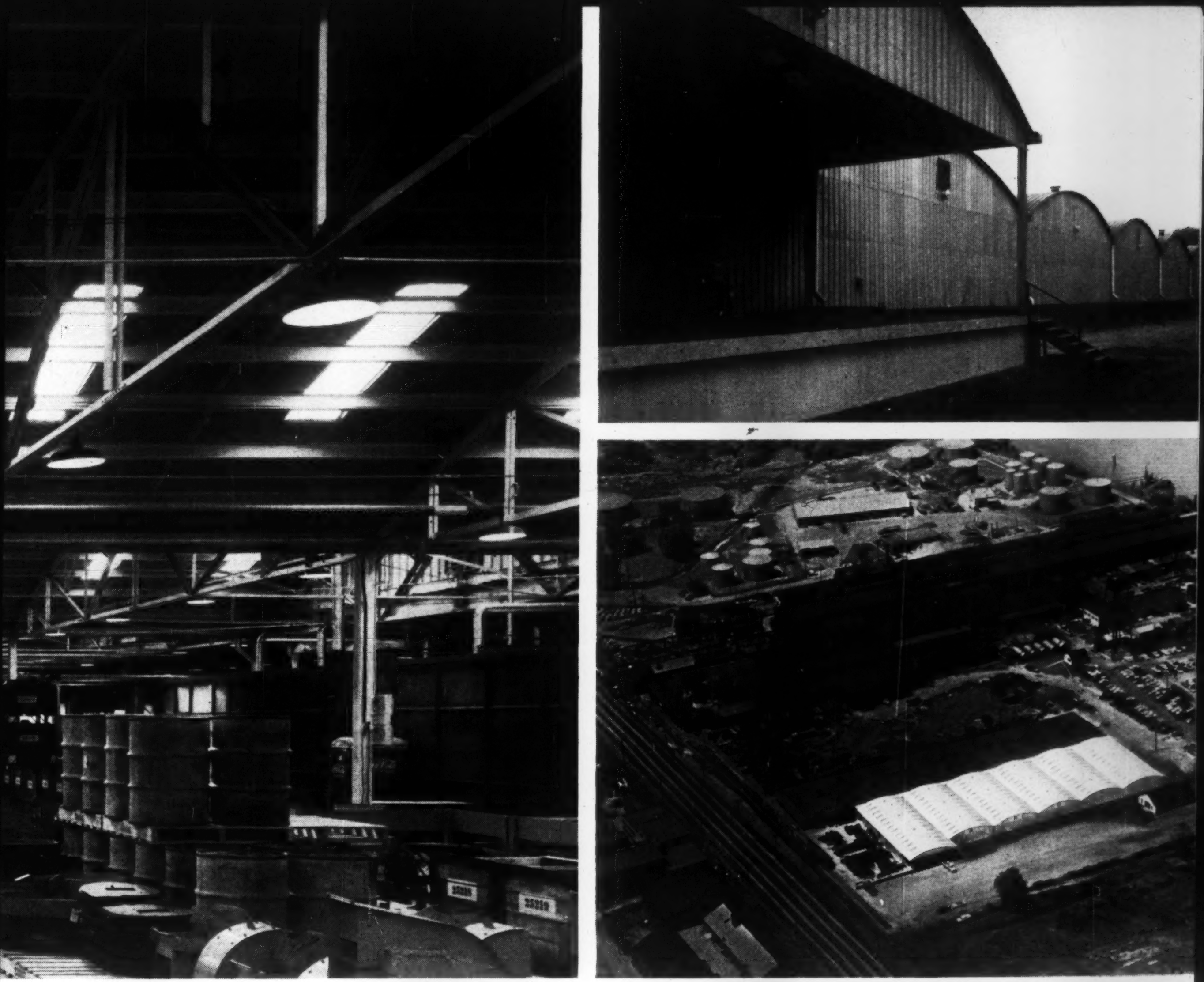

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Photo by Mottar

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Who are they?

One is a local banker, the other is the man from Chase Manhattan. Hard to tell them apart, isn't it? They're similar in a lot of ways—in their interests, their outlook and the work they do.

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Solving a problem together. In this case, *a loan for business.* Very often, banks have requests for credit which they do not wish to handle alone. That's where correspondent banking comes in—and Chase Manhattan is *the banker's bank.* As a correspondent, you can call on Chase Manhattan just as if it were an extension of your own bank.

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How can we help?

As America grows, the need for correspondent bank facilities grows. The next time you are confronted with a problem that requires a working partner, we hope you will call on your man from Chase Manhattan. It's a friendly way to work—and resultful.

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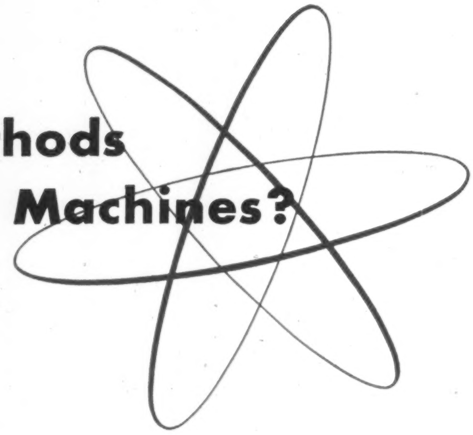

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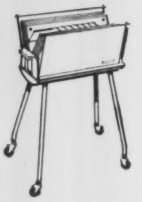
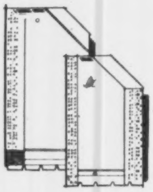
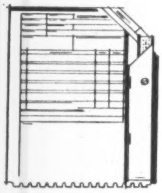


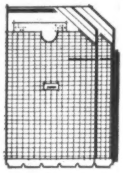
PORTABLE TRAY



PUNCH CARDS



TAPE CARRIER



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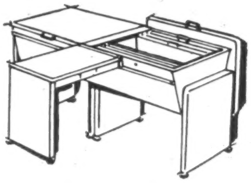

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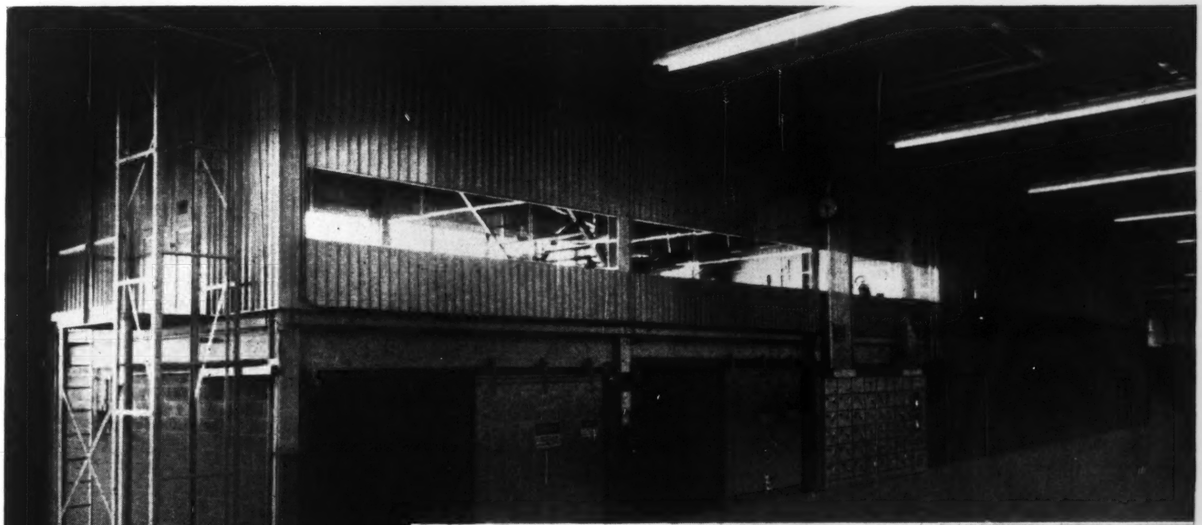

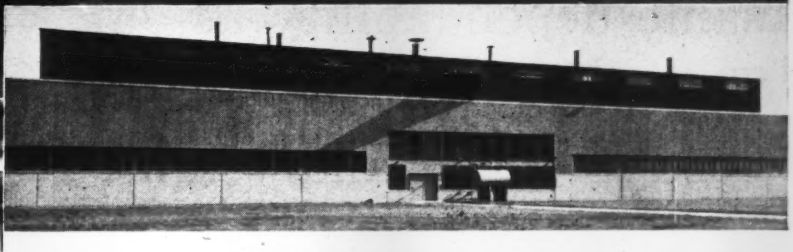

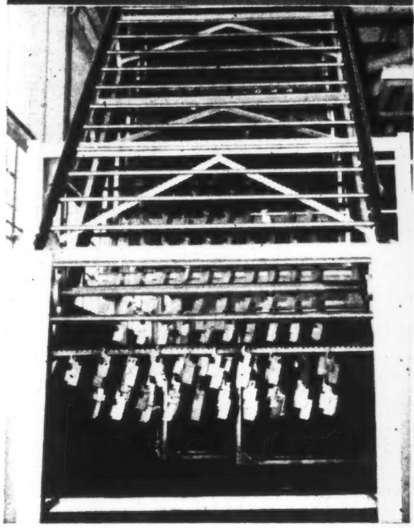

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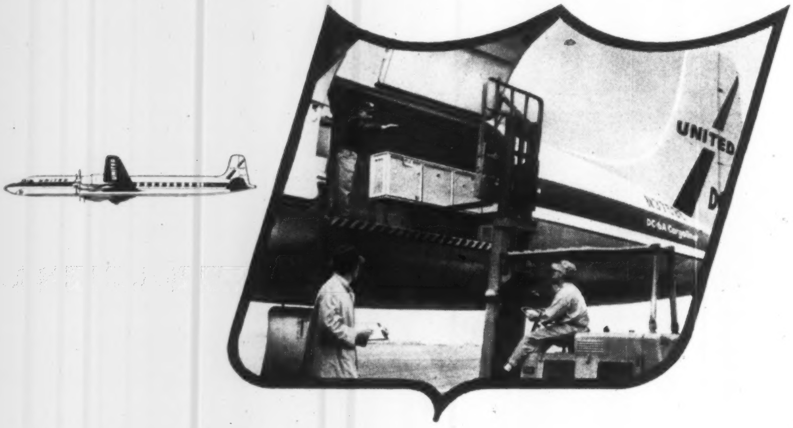

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Business faces a flock of new uncertainties on the labor scene this Spring—approaching key negotiations, new organizing drives, union responses to the spread of automation. But the biggest question mark remains the same: What are the unions really driving for?

Without much doubt, the man who knows the answer best is George Meany, boss of the AFL-CIO. To get his views on today's urgent labor-management issues, DR&MI sent its Washington columnist, Joseph R. Slevin, armed with questions drawn up by members of our Presidents' Panel.

Labor's Top Man Talks Back

GEORGE MEANY, president of the AFL-CIO, is a solid, combative 225-pounder with the build of a football guard and the quick, tough mind of a successful top executive. Meany followed his father in the plumber's trade, but he became the business agent of his union when he was 28, and he has been a union official ever since. The blunt, forthright Irishman from the Mott Haven section of the Bronx has worked his way up through the ranks of labor management as surely as any corporation president has reached the top through the chairs of corporate officialdom.

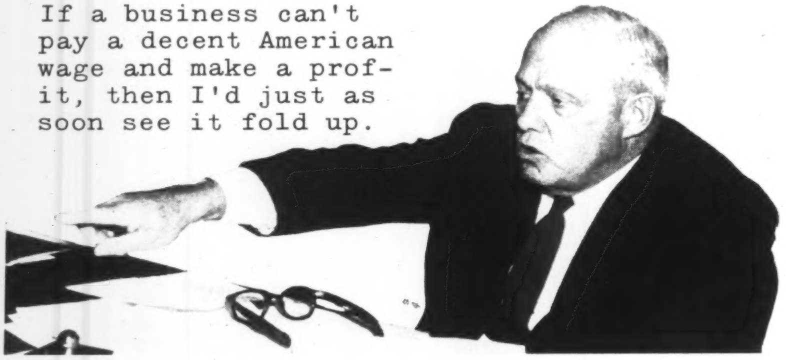
George Meany heads the largest non-religious organization in the United States. The AFL-CIO has some 13.5 million members in its constituent unions. Meany, who is now 65, has been its president since the American Federation of Labor, which he headed, merged with the Congress of Industrial Organizations in December 1955.

Today the AFL-CIO is a heaving, uneasy empire that is beset by difficulties, internal as well as external. It has fallen far short of the hopes that were held out when the merger was consummated. Instead of rapidly increasing its membership, the AFL-CIO has been stagnant. Charges of corruption and racketeering against several unions have complicated its organizing job, and insistence upon a nondiscrimination goal has made a shambles of its organizing drive in the South—the last large reservoir of unorganized industrial workers. The wrangling disputes between industrial and craft unions that led to the creation of the CIO in 1935 were not ended automatically by the reunion in 1955 and are a source of continuing disagreement within the house of labor.

Automation has brought a fresh set of problems in its train. The number of factory jobs has declined. The big industrial unions have lost members and have not yet figured out how to convert the white-collar technicians, engineers, and clerks who are assuming an increasingly important place on factory payrolls.

But unions have come a long way from their early embattled beginnings, as any visitor to the AFL-CIO's handsome, $4.5 million, eight-story Washington headquarters can see. The AFL-CIO Building is faced with Tennessee marble and has a magnificent, two-story-high lobby paneled in oveche wood and African white mahogany and dominated by a 51-foot mosaic mural that depicts the sweep of American labor history from the days of the early settlers to the present.

Meany runs his 300-man staff from a large mahogany-paneled top-floor office that has a deep rug, fabric-covered walls, modern furniture, and floor-to-ceiling windows that look down across Lafayette Square to the White House two blocks to the South. It was here, during a two-hour interview, that DR&MI's Washington columnist got Meany's forthright answers to the questions that members of our Presidents' Panel of 160 key industrial leaders said they would most like to ask the top man of American organized labor.


If a business can't pay a decent American wage and make a profit, then I'd just as soon see it fold up.

Mr. Meany, during the recent AFL-CIO Executive Council meeting in Puerto Rico, you called attention to the large amount of unemployment that still exists in industry. One of the remedies you proposed was the adoption of a 35-hour week. Do you think this is a feasible objective for the current year?

Actually, I don't think we are going to get a shorter work week this year. But I think it's something we must ultimately have. It's obvious, from what has happened in the last year or two, that we can produce more with fewer people. At the present time we don't have any great new industry to pick up this slack, and the only obvious answer seems to be a shorter work week.

Some people have said that many working men prefer to keep on working 40 hours and take their additional productivity in higher wages rather than shorter hours. What do you think of that argument?

I think our first concern should be the unemployed, and the assumption is that a shorter work week would bring more people into employment in order to keep the production up. We can't approach this problem on the basis of an individual's desire to work longer hours because it means more in his particular pay envelope. We have to look at the over-all problem. There are tens of thousands of people who are now, as far as we can see, permanently unemployed—completely eliminated from the industrial picture.

You don't think a general pick-up in business activity will absorb these unemployed, perhaps to some extent in other industries?

No indication of it now. The figures show that we have regained 90 per cent of our lost industrial production but have put back to work only 30 per cent of the workers in manufacturing and 38 per cent of the total nonfarm workers. I suppose it's theoretically possible that they could be absorbed in other industries, but there is no such opportunity available now. Right now, these people have run out of their unemployment insurance, and they're just flat on the industrial scrap heap at the moment.

Mr. Meany, the President has been constantly emphasizing the danger of inflation, and, as you know, he is fighting for a balanced budget because he says that it's essential to prevent inflation. Do you consider inflation a danger at this particular time?

Well, I think the big danger at this time is unemployment. We haven't had any inflation in a year—the price index has remained constant. But there were more people unemployed in January 1959 than there have been in any January since 1942. That's not to say we are not concerned about inflation, but I don't think it's the big thing right now.

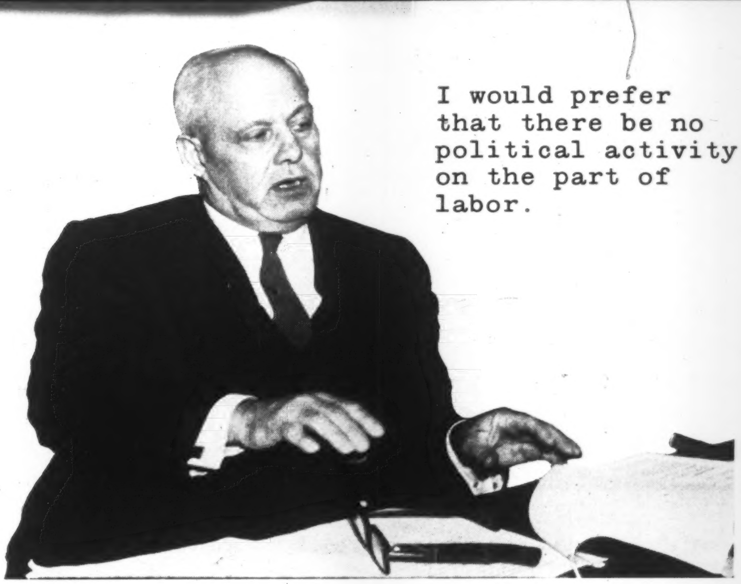
Do you believe that it is right to give wage increases that are larger than gains in productivity?

Do I believe that? You bet your life I do, if the wages are not adequate. In other words, I don't believe that the failure of a business to make an adequate profit is sufficient reason to deny a wage increase, if that busi-

A lot of management people would like to get rid of the union if they could.

Our general policy is not to stand in the way of automation.

Southern workers need organization...They can't live on prejudice.



I would prefer that there be no political activity on the part of labor.

ness is not paying a decent wage according to American standards. If a business can't pay a decent wage and make a profit, according to American standards, then I'd just as soon see that business fold up.

Many company presidents say they are concerned about the threat of foreign competition, particularly with regard to labor costs. Are you disturbed about the rise of foreign competition in American markets?

Not at the moment, no. Except for certain industries that may be worried about this kind of competition, I don't think on the whole it is any great threat at present. Of course, it's something that has to be watched.

Mr. Meany, one apparent decision reached at the recent San Juan meeting was to step up the AFL-CIO organizing drive, particularly in the South. What kind of success do you foresee there?

I think we've been up against some formidable obstacles to organization in the last couple of years. Certainly the Southern situation has been bad. But I think our position against racial and religious discrimination is not only morally sound but economically sound. And certainly a great democracy like ours can't afford to walk away from this problem. But the AFL-CIO official position on these questions has been used against us, especially in the South, in every organizing campaign, and unquestionably the use of it has been quite effective in stopping us from organizing.

However, we think that more workers in the South are beginning to realize that the people who are active in trying to preserve discrimination against the Negro are the very same people who have always been anti-union and that these people have been using traditional prejudices to keep out union organization—and, of course, to keep down the wage level in their communities. But a lot of Southern workers are waking up to the fact that they need organization to get better wages and that they can't live on prejudice. We think the atmosphere is going to be a little more favorable from now on.

Another thing employers have used to counteract organizing effort has been the McClellan Committee exposures of corruption on the part of a tiny minority of union officials. Employers have used the committee headlines and passed out literature asking their non-union workers if they wanted to be associated with some of these characters who have appeared before the McClellan Committee.

Do you believe that the labor legislation now pending in the Congress will provide adequate power to curb these abuses?

Adequate power? Frankly, these abuses could not be stopped by the unions alone. The trade union movement is trying to do what it can in this field. We think we have some moral responsibility to do this. But the AFL-CIO has no legal responsibility to curb corruption in union locals. We aren't a law enforcement agency, and we don't have the power of subpoena. We couldn't possibly call a trade union official before our council and say, "We are suspicious; we don't like the way things are going." Certainly we would not hesitate to take action where we had proof of wrongdoing or corruption. But we must have the proof, and we haven't got the machinery to go out and make these investigations.

So, to answer your question, we don't feel that the requirements of the Kennedy-Ervin Bill would eliminate corruption. We do think it would curb some of these people, because they will have to report all their financial transactions. We think the Kennedy-Ervin bill is a step in the right direction. But the real problem

The American people's purchasing power comes from the pay envelope.

On the whole, I don't think foreign competition is any great threat at present.

The real answer to corruption is better law enforcement.

We are certainly the most conservative trade union movement in the world. We are not trying to destroy the capitalistic system. We are trying to preserve it. Labor and the working people have gotten more under the American system than under any other system on earth.

of corruption is the failure of the law enforcement authorities to act. The juke-box and coin-machine business points it up quite clearly. Here's one of our big industries, in the billion-dollar class, and it's honeycombed with gangsters and thugs operating with the connivance of greedy business men and with the cognizance of the law enforcement authorities. It is quite obvious that the real answer to corruption, whether in unions or anywhere else, is better law enforcement. Nobody runs to the American Bankers Association every time a cashier defaults or somebody on the inside robs a bank—they expect the local District Attorney to handle that. When companies engage in business frauds, nobody runs to the Chamber of Commerce or the National Association of Manufacturers and says, "What are you going to do about law enforcement?" No, they expect the local District Attorney to do it.

Mr. Meany, quite a number of men on the DR&MI Presidents' Panel want to know what, if anything, you think labor should do about the problems of organizational picketing and the secondary boycott, particularly where a company is caught in competition between rival labor unions. Will you give us your views on this, what labor can do to correct it?

Well, it all depends on what you are talking about. The right to picket is the right of free speech. If business is saying that labor should lose this right because it doesn't happen to have any members in an establishment, then I disagree completely. The right of a union to picket an establishment where it has no members has been upheld by the courts.

Forty years ago the garment industry in New York City was a sweated and disgraceful industry. If we hadn't had the right to picket and thereby advertise publicly the poor standards in certain shops where we had no members, then we could never have changed that situation, and all employers in the industry would have been brought down to the lowest standards set by any one employer. If that's what you mean by organization picketing—well, I can tell you quite frankly I don't want to do anything about preventing it. Of course, I'm not talking about violence in picketing. We don't defend violence in picketing at all.

As for an employer caught in a jurisdictional dispute, I think labor does have some obligation in that case to try to straighten out the dispute so that the third party doesn't suffer. But how you can do that by legislation I don't know.

Mr. Meany, one frequently discussed problem of automation is technological unemployment and displacement of workers. Do you think that management should do more than it has done to cushion the introduction of modern equipment?

Well, I believe management has at least the responsibility of trying to do something about retraining for new job opportunities. However, the philosophy of the American trade union movement has been not to interfere with the introduction of labor-saving devices, because we came to the conclusion many years ago that these devices in the long run would open up wider markets and provide more jobs. Now, the automation of the last few years is another thing. It has made the labor-saving devices of 25 or 30 years ago look rather puny. Our general policy is not to stand in the way of automation, but we are concerned about it and we feel that the employer should be concerned about it too. In the final analysis, the American employer's best customer is the American people, and their purchasing power comes from the pay envelope.

Mr. Meany, how do you feel about unions investing in the common stock of large corporations?

Well, each of our unions has its own policies in regard to investments, and the AFL-CIO doesn't interfere with this sort of thing. But I don't see anything wrong in a union's putting a certain percentage of its assets into common stocks. After all, these are shares of American enterprise and American business, and we are part of the American system. We aren't opposed to a greater return for risk capital; that is part of the American scheme. We are not opposed to profit. We believe in all these things.

Some presidents think ownership of a large block of company stock by a union in that company's plant could raise a conflict of interest problem.

I think so too. You would be sitting at the table bargaining with yourself, as it were. I think that would defeat the whole idea of collective bargaining. But, in general, I'm not opposed to workers owning stocks. It gives a sense of security and also a sense of being a part of the business world.

Is there any one goal you would say is now the prime target of the AFL-CIO in collective bargaining?

No, I wouldn't want to specify any one goal. The whole goal of the American trade union movement over the years has been to get a fair share of the wealth produced. That

continued on page 107

Presidents and PAPERWORK

ROBERT A. SHIFF

Top executives can no longer afford to spend half their business day reading the hundreds of reports that swamp their desks. Here are some practical ways to lighten the load and improve communications all the way down the line.

THE TYPICAL corporation president in the average month reads a pile of reports, memos, and miscellany equal in length to the Bible.

More accurately, he *gets* that much paperwork. Whether he really finds the time to read and digest it, and whether it contains all the information he needs to establish and direct company policy, is something else again.

While the president bears the greatest burden (more than three-quarters of a million words a month), executives all the way down the line are being swamped by a deluge of written material.

The president may well wonder if he can allow this tide of paper to rise still higher in the face of increasing complexities of business operations and the need to control costs, to say nothing of the need to preserve his own health and peace of mind.

According to a recent American Management Association survey, the typical business executive spends four office hours a day and an extra hour at home reading the reports, correspondence, and publications sent to him. Four-fifths of the men surveyed say a lot of their reading time is wasted because the material is repetitious, unclear, poorly organized, late, or irrelevant. Executive reading time is obviously vastly more expensive than clerical preparation time. Since the time of an executive earning $50,000 a year is worth approximately one dollar a minute, the five hours he spends reading reports costs the company $300.

The paperwork file

Mr. President—if he's at all typical—has nearly 100 reports, letters, memos, forms, "information copies," and other documents plumped on his desk each day. A study conducted by Naremco (National Records Management Council) reveals that some overworked presidents see as many as 150 documents a day. At the other end of the scale are a few who get less than 50 a day and manage to handle personally about twenty. Generally, an average of 130 pieces of mail are addressed to the president each day. Of this amount:

- 50 per cent never reaches his desk, but is destroyed, filed, or passed on by his secretary to other individuals in the company.
- 35 per cent is acted on by him and is filed.
- 15 per cent is passed on by him to other individuals in the company.

Significantly, the typical president receives more than 70 per cent of all reports issued at every level of his sales department alone.

How can a busy president ever hope to read this staggering amount and understand its meaning?

Many methods of clearing unnecessary paperwork off the president's desk have been tried in the past. Some were ill-conceived remedies, ultimately creating more overhead and paperwork than they eliminated. Others, based on sound management principles, have saved vast amounts of money and time.

Many presidents have attempted to delegate their paperwork to vice presidents or other administrative assistants. A good idea, essentially, but often unsuccessful. Why? Because most of the presidents over-cautiously refuse to delegate the authority needed to make the decisions called for in the paperwork.

Screening, too, has frequently failed. Subordinates are told to look over all reading matter and pass on only the important correspondence. A perfectly valid system, *if*—if the president has taken sufficient time to tell his assistants what is important and what isn't, what kinds of information he needs and what kinds he does not.

Delegating responsibility

The common feeling that "I can do a better job myself" makes it difficult for some executives to designate complete responsibility for a given activity. There is also the natural tendency of the top man to keep a close watch until he is completely satisfied that a subordinate is doing a better job than he could do himself. Very often presidents who reach the top through production channels keep closer tabs on this particular area than on sales or finance, and they are prone to delegate more authority in these less familiar functions.

Effective paperwork should mean clear, concise, timely *information*, not just an impressive stack of paper. Actually, many reports needn't be on paper at all. Presidents are learning that it's often easier to receive information *pictorially* by means of charts, graphs, and tables. Graphics are especially helpful in highlighting trends and presenting comparative information.

A significant innovation in this type of reporting is being used successfully at Du Pont headquarters in Wilmington, Del. Here, in a theater-like chart room, top management can call for information on virtually every phase of the company's operation. The data are kept up to date on a collection of 400 framed charts, each one suspended by wheels from an overhead network of tracks. When an executive asks for information on a certain matter, it literally rolls to him in a matter of seconds.

Keep this checklist handy, and ask these questions of yourself after reading each report, form, or memo placed on your desk. Your responses should tell you whether your reading time is profitably spent.

- ▶ **Does this report really help you in the management of your company?**
- ▶ **Can you act on the basis of the facts it contains or does it leave unanswered questions in your mind?**
- ▶ **Does it pertain to something a subordinate could handle just as well?**
- ▶ **Is it presented in the clearest and best possible form?**
- ▶ **Does reading it cut into time which you could use more profitably?**
- ▶ **Is it cluttered with unnecessary information?**
- ▶ **Could you grasp the situation more quickly if it were presented in graphs or plain conversation?**
- ▶ **Does it offer solutions, not just spell out problems?**

Speech vs. written words

Many companies are developing oral reports. Once-lengthy memos have become plain, workaday conversations. For example, many companies are eliminating salesmen's lengthy, narrative call reports. Instead, sales managers in the field now phone in statistics and information in a pre-arranged sequence that permits a secretary to transcribe the data within the three-minute long distance time limit. In other instances, vital information is passed along by field representatives by the use of dictating equipment.

But talk, without proper controls, can become a rambling menace, as time-consuming as any verbose memo. Dr. Chester L. Brisley, a Detroit executive, studied twenty of his fellow executives not long ago and found that they spent 85 per cent of their time talking to one another. "Executives should be given more time to be alone," he said, "and it should come from the time spent talking to other people." The results of this study combined with the American Management Association study on executive reading show Mr. President isn't left much time to sleep, much less think and plan.

Put it on tape

Properly used verbal reporting, however, can be invaluable in lessening the president's workload. A good method is to combine the advantages of plain talk with the permanence of a formal report by using transcribed recordings.

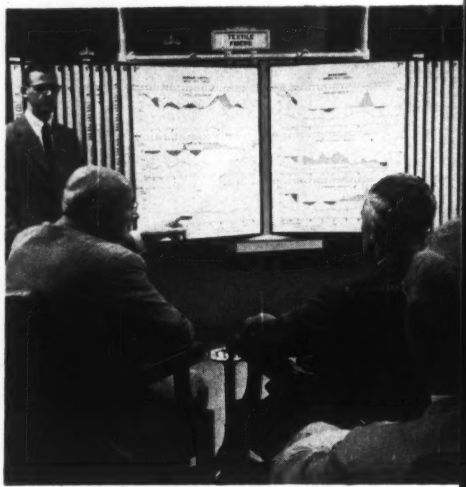
Howard Johnson, head of the restaurant chain bearing his name, hit the mark when he said: "The easiest way to forget something is to write it down."

Company presidents—particularly those whose ear grasps more than the eye—find they can understand a situation much more clearly after hearing someone explain it. The verbal approach can put presidents in closer rapport with their branch managers.

From the sender's viewpoint, too, recordings seem to allow freer expression. The speaker tends to feel less hurried than when talking on the telephone.

The inflection of his voice and his emphasis on certain words convey their own subtle meanings—meanings hard to express, perhaps difficult for a president to grasp, in the impersonal typescript of a memo.

But to make talk efficient, (1) reports should be limited to one belt or disc, and (2) the executive making it should prepare an outline before beginning his monologue. Similarly, with group meetings—another version of the oral method—everyone must come prepared to keep it short and pertinent.



IN THE DU PONT *chart room two vice presidents review a department's operations with the general manager, while an aide stands by to handle fact-crammed charts.*

The progressive, metropolitan government in Dade County, Fla., applies a very effective method for departmental reporting to the county commissioners. Each department head is required to submit a written summary report, a half-page long, in advance of each monthly meeting. When a department head appears before the meeting, he is allowed fifteen minutes for oral presentation, including time for questions. In special situations, 30 minutes is allowed, but the accompanying summary report must not exceed one page.

A good meeting, in effect, is the dress rehearsal for a report that will be worth getting and for the good management decisions that can follow.

Ideally, the flow of information through a company would look like a pyramid if it were charted. Data flowing upward are sifted and refined until only a few key documents reach the president's desk.

Reporting the "exceptions"

Executives need meaningful comparative information that reflects changes and trends. In most cases, exception reporting requires as much clerical effort in preparation. All statistical information has to be gathered and digested and percentages computed. But only a small portion is passed on up.

What the president does see are the important things he needs to know to help him think, plan, make decisions, and run the business well.

Certainly no one would expect Personnel to get weekly technical production statistics. Why then should the president be expected to wade through a mass of papers not direct-

"ROOM WITH THE 14,000-MILE VIEW," *so named because data presented here give United Air Lines executives at Denver headquarters a graphic view of system-wide operations, including daily traffic and profits.*

ly relevant to his function? Every president would agree that he should not. But the next step—determining the information he should have—is more difficult. A new approach to the problem is based on what might be called the president's "paperwork personality."

Not only theoretically, but in fact, the president is responsible for the paperwork he gets. He is, after all, the undisputed organizational leader of his company. When he asks for something he gets it. His requests for data are, in fact, so seldom denied that he soon assumes all information is around the office somewhere, easy to get when he wants it.

Know the price of data

Chief executives need data and need them fast. But they also need data on the *costs* of gathering and maintaining data.

The president's simplest request to "get me information on this" often balloons into an expensive, time-consuming project of gathering data, compiling worksheets, computing figures, typing, proofreading, transmitting, and studying. It would be an interesting experiment—if a president wanted to spend the time and money on the test—to ask for a report on some phase of the operation that has absolutely no relevance to the company's general well-being. Probably in a day or two he'd get the report—an indication that this useless information was being stored away, at no small cost, somewhere along the line.

If the president's communications system were really sound and implemented throughout the organization, his staff would know that they'd serve him better if they spoke up to remind him: "We really don't have too much information on this. Do you think it would pay to research it?"

What kind of information should a president get? The kind that suits the president's "paperwork personality" because this, in turn, determines the company's paperwork personality.

"Personality" is used purposely. Two men, running the same company, could require vastly different kinds of information. One might crave statistics. The other might want interpretive analyses. Some—like the president of the Tidewater Oil Company—have laid down the rule that no memo shall be longer than a half-page. The U.S. Budget Bureau chief goes even further. He wants situations boiled down to one sentence.

Essentially, it becomes a matter of adjusting the shape of the reporting pyramid to compensate for the structural stress and strain imposed from the top—to have the flow of information through that structure reach the president in the form he wants and in the amount he wants to suit his needs and personality, and to flow back from him in forms and amounts that enable the company to function as he has commanded.

How to cut the load

Here are some of the many immediate steps an executive can take without elaborate preparations to cut his paperwork load:

Delegate responsibility. Don't give your assistants half the job but fail to give them the authority to act. You're not relieving yourself of work by telling your staff to "look into the matter." You would be if you told them to *act* on the matter. When the staff reports back with all the information they can find, it's your job to digest it all and offer a solution. If the matter isn't pressing, let a responsible assistant handle it. If it is vital, ask for solutions just the same, subject to your okay.

Have assistants screen the papers you get. This isn't easy, but it's worth the effort. It takes time to train a staff to know what to show you and what to hold back. First you've got to know your own mind (the personality idea) and know what is necessary—*really* necessary—to see from a company management viewpoint. Generally, this screening isn't something you can depend on your secretary to do. It takes the knowledge and broad vision of upper-middle management to do it well. Your secretary can be invaluable, however, in screening the dozens of papers and publications that arrive unsolicited from outside the pipeline.

Use exception reporting. This is a must for the facts-and-figures type, though it can be used to advantage by all executives. It is the technique, now widely used, wherein statistics of production, sales, overhead, or anything else are *not* shown to the president unless they veer by a predetermined amount from the norm. In some instances, a deviation of, say, less than 2 per cent, plus or minus, would be deemed safe and would go unreported. Any exceptions, however, would go right to the boss with an explanation of why it happened. (Ideally, a one-sentence explanation—e.g., "Sales were off in July because strikes curtailed deliveries.")

Get clear interpretations. Ask for covering memos on all long reports. What are the salient points in it? What are its main recommendations? If it's an urgent matter, what action should be taken? What is the deadline for action or decision?

Insist on clarity. Ask for plain honest prose in all memos, and show you mean it by keeping your own reports terse and clear. Clarity isn't only a matter of words, however. Some of the best reports are a combination of sentence and symbol. At Sylvania

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Hoyt P. Steele, head of GE's political action program, urges business leaders to join the fight.

POLITICS:

Business Tries Its Hand

FAYE HENLE

Can business remain aloof as political forces threaten its interests and freedom of operation? The question is worrying a growing number of companies—and some have already begun to fight back with hard-hitting political action programs.

A PUNCH PRESS operator in Dearborn, Mich., spends one night a week studying civics. A safety engineer in a New Brunswick, N.J., plant holds a second job—town constable. A blast furnace operator from Cleveland has signed up for a course in basic economics.

All across the country, workers like these are taking a new interest in civic and political affairs. But what about their bosses? The answer is they are doing pretty much the same—and more.

Do business and politics mix? What does business hope to achieve by taking an active part in government? What success has it scored to date? These are some of the questions DR&MI put to companies, large and small, in all sections of the United States.

The answers show that for every company president who insists that it is his duty and the duty of those who work for him to improve what is so loosely called "the political climate," you'll find another insisting with equal vigor, "This is not for us." And you'll discover that a third president has asked his top executives to study the situation.

Those business leaders who feel they should have a voice in how 52 per cent of their profits are spent are actively trying to make themselves heard. One way they are trying to do this is by putting forward candidates and platforms they feel will better serve their varied interests. They are out to fight against what they term the "forces of creeping socialism," but they are quick to point out that their political activity should not be construed to be an anti-labor campaign.

Most active on the political front is the General Electric Company. Its over-all political program, which extends throughout the country, is a part of GE's Government Relations Service, a relatively new department headed by Hoyt P. Steele, former president of Benjamin Electric Manufacturing Company.

Steele urges business to invest time and money to approach its political responsibilities in a planned and organized fashion "just as we would approach any other managerial responsibility."

Business man's battle plans

To put his ideas to work, Steele has drafted a program which sets these guide rules for the individual business man in politics:

- Work in the local plant community and state to improve the business climate.
- Participate in the legislative process, both state and federal, and speak up on issues.
- Help management at all levels to understand the political facts of life, and provide them with leadership and inspiration.
- Get out and work for a partisan political organization. (GE believes, however, that a company should operate on a nonpartisan basis.)

At the Ford Motor Company, a political program is also in high gear. Known as the Civic Affairs Program, it is headed by Thomas R. Reid.

The Ford program is intended to capture the interest and enlist the participation of every employee from the management level down. Ford maintains a Washington office responsible for Congressional lobbying and company relations with the Federal Government. Liaison also is maintained with state and local government bodies and civic groups. The major objective, say the Ford men, is "some degree of victory in legislative and Congressional battles over key issues affecting the management and the company position."

Another politically seasoned concern is the Johnson & Johnson Company of New Brunswick, N.J. For the last six years, this company has conducted panel seminars and courses in the fundamentals of government. The company encourages its employees to serve in political offices and grants paid leaves of absence to make this possible.

Johnson & Johnson's program, looking more to second line employees than to top level executives, is open to all salaried employees including foremen and assistant group managers. Many J&J employees are active as councilmen, serve on school boards, or work as tax assessors and constables and even as mayors.

Bill Baumer, assistant to the president of J&J, is a veteran among business men in politics. Baumer gages the achievement of J&J's program by the 10 per cent of company employees now active politically.

A newer program is the one launched last Fall at the Monsanto Chemical Company. Monsanto's objective is to have its employees assist in electing the best qualified men to public office and take a stand on local issues. Under a four-man committee, a long-range nonpartisan educational program is under way.

A somewhat different approach is being tried at Republic Steel Corp. Together with a dozen other major companies, Republic is initiating a bipartisan "practical politics" course at the University of Chicago. In addition, the company will be testing the National Association of Manufacturers political educational program.

American Airlines is working both

Timetable for Political Action

A month-by-month political action program to be followed right up to election day, 1960, has been drawn up by Thomas R. Reid, head of Ford Motor Company's Civic Affairs Program.

The program includes a study of how government and politics affect the individual and business life. It also sets up an organization for effective action on governmental and political matters. Here is the schedule Reid urges business men to follow:

By mid-Summer, be ready to speak out on the critical issues affecting business which will be in the final decision stage before Congress. In late Summer, compile voting records of Congressmen and legislators on key business issues. Between legislative sessions, get acquainted with government leaders. By the year-end, recruit volunteers among employees for party work on the community level. In early Spring 1960, train management in practical politics. A registration drive should be followed by a company policy declaration and a call for bipartisan political participation. Fall 1960: "Time to temporarily relax."

Two Schools for Politics

Both the National Association of Manufacturers and the U.S. Chamber of Commerce have set up programs to help business men obtain a bipartisan political education at the grass roots level. The NAM's three-part plan includes instruction in how the nation's civic system operates. It offers an exchange of information on legislation and public affairs techniques, and it provides the basic "how to" material needed by any company, community, or group. Finally, it offers to help organize business groups for bipartisan work on a year-round basis. NAM's goal: "To recruit active political workers from middle management, stockholders, and as many employees as can be reached and to convince them that our free economy is in danger, and that the election of candidates committed to its preservation is worthy of their best efforts."

A blue-chip panel headed by Arthur H. Motley helps direct the Chamber's program. The Chamber offers a series of textbooks and other material to help industrial, retail, commercial, and financial companies to elect qualified candidates to local, state, and national offices. The Chamber encourages participants in the course to become acquainted with their local politicians and to investigate the possibility of joining or organizing a political club.

at the grass roots and Federal levels. It is telling its employees it is their responsibility to inform and assist state and local lawmakers in the enactment of legislation beneficial to local industry. The Standard Oil Company (Ohio) and Calumet & Hecla, Inc., also are training their employees for political action.

More common is the type of program being carried on at Bucyrus Erie. Here management presents its views on political issues to employees at all levels through the company's house organs. The company also works with various trade organizations. Much this same sort of thing is being done by such companies as Hercules Powder Company, The Oliver Corp., General Mills, Inc., The Boston and Maine Railroad, Lakeside Manufacturing, Inc., and Hamilton Cosco, Inc., among smaller companies.

> ***"The general good certainly would not be served if business should fail to assume its full share of the burdens of political responsibility. This is not merely a matter of assuring business a voice in political councils. More important, it is a matter of bringing to political affairs the strength, the experience, and the special skills of business men which can represent an important net addition to the vitality of political processes."***
>
> **THEODORE V. HOUSER,** ***retired chairman of the board,*** **Sears, Roebuck and Co.**

How Syracuse does it

The Syracuse Plan, initiated to remedy a local situation in Syracuse, N.Y., is now setting a national pattern. Practical politics seminars and workshops are being conducted by the Manufacturers Association of Syracuse under the leadership of J. J. Wuerthner, Jr., manager of public affairs at General Electric's Electronics Park in Syracuse.

Work under the Syracuse Plan begins with a practical politics seminar intended to train management leaders to give similar courses at their own plants. Some 24 companies have joined the program so far.

One group which is opposed to business' taking a partisan stand on partisan issues is the Effective Citizens Organization, created in 1954 by Bruce Palmer, president of Mutual Benefit Life Company of Newark, N.J. ECO's president is a GE man, Willard V. Merrihue. ECO groups meet on college campuses around the country to train business leaders in the mechanics of practical politics.

ECO men believe that the worst thing that could happen would be to have one party represent business and another party represent labor. "To avoid such disaster," says Richard G. Armstrong, ECO's research director, "a corporation itself should not be identified politically. Business should distinguish between politics and government and be represented in both political parties."

A nineteen-man board rules ECO, representing such well-known companies as the Standard Oil Company (Indiana), Johnson & Johnson Company, Cleveland Graphite Bronze Company, and Hill & Knowlton, Inc.

There are those who openly oppose the company's role on the political scene, but who endorse the individual's participation. One such business leader is American Motors Corp. president George Romney who repeatedly has asserted:

> It will be tragic and probably fatal to American freedom if big business corporations follow the union trail to politics. Politically we should express ourselves as individual citizens through political organizations, not as members of different economic groups.

But to such an old hand at politics as Raymond Moley — well-known writer and journalist and a one-time New Dealer—participation by business leaders in government is the one force that provides hope for saving the nation from a possible class struggle.

Moley claims the laissez faire attitude business displays is the result of a psychological complex. "Business men," he says, "fear that they are disliked and distrusted. They are afraid that if they get into politics they perhaps will offend their customers or stockholders, their dealers or suppliers."

Confirmation of the Moley theory of the business man's fear of offending is heard time and again. The president of a major corporation insists:

> We have no objection to our executives participating reasonably in politics and, in fact, feel that it is a good thing they should. We would not want them to take any such active part in campaigning, however, as it might embarrass or prejudice the position of the company.

Caution slows action

Some important companies are interested but cautious. The Gulf Oil Corp. started thinking seriously about starting a political program last Summer, when Archie D. Gray, the corporation's senior vice president, advised his fellow employees and stockholders that, whether or not they wished to accept the fact, they already were in politics and urged them to action. But, evidently, Gulf hasn't yet developed a program that satisfies it completely. Along with many other companies, it can foresee trouble if political action is not carefully handled.

Other companies which report political action programs under study include The American Can Company, The American Oil Company, Champion Spark Plug Company, Cities Service Oil Company, and Union Carbide Company.

What have political programs accomplished? As yet, there is no solid answer to this question. GE's Hoyt Steele declares that there'll be no measurable result for years to come. "How can 25 years of inertia be overcome in just a couple of months?" he demands.

Clearly, a good deal of inertia remains to be overcome. NAM leaders warn that participation in politics is a "do-it-yourself" job and that until business leaders get their feet muddy and their hands calloused, they will not be effective campaigners.

However, the majority of American businesses still are restrained from getting into politics by the fear of repercussions from government, labor, stockholders, and customers. And until more of them decide to take a positive stand, even the most politically active business leaders admit there will be few tangible results. **END**

THE AUTHOR • Faye Henle, whose syndicated column, *Your Pocketbook*, appears in the *New York World-Telegram & Sun* and is distributed by NEA Service, Inc., to some 200 other papers, went on to become a well-known free lance writer after beginning her career in business writing on *The New York Journal of Commerce.*

Undeveloped Gold Mines in Purchasing

RICHARD W. TAYLOR

Here's how progressive companies are exploiting some effective—though often neglected—ways of reducing procurement costs and taking advantage of the profit potentials in purchasing's contribution to management planning and control.

WHAT WOULD a 3 per cent cut in purchasing costs do for your profit showing? Not long ago, the senior purchasing executive in a big manufacturing company astounded a meeting of his company's top management by announcing that he could show before-tax profits equivalent to a 20 per cent sales increase or an 18 per cent decrease in manufacturing costs by reducing procurement costs 3 per cent.

What's more, he was in the process of doing just that. In the first phase of his program, he had achieved a reduction in purchasing costs that contributed almost $3 million to annual corporate profits.

This is just one of many examples of how purchasing executives are helping industry improve profits and meet today's major challenge—cost reduction.

In the typical company, purchasing is probably the best place to go prospecting for unrealized savings. Here the potential is large and relatively undeveloped.

Purchasing in most businesses takes a big bite out of revenue. In the average make-and-sell business, purchased goods and services account for more than 40 per cent of the sales dollar. And in some companies, the figure rises to 60 per cent or more. Consequently, small percentage savings here can do a lot for profits—as much as a major sales increase or a sharp cut in manufacturing costs.

Purchasing is also a good place to look for profits because its potential is still largely unrealized. Though purchasing has come of age in recent years, top management has not been interested in the function for very long. Traditionally, it has been a clerical job or service function supplementing the actions of the owner-manager, who made all the major buying decisions himself.

A "stepchild" function?

That is probably why many top managements still consider purchasing an undramatic, clerically-oriented function and why they often neglect it in favor of other, more "interesting" areas of the business. Too, very few top management men today have come up through purchasing. But purchasing people themselves are often to blame. Many of them, by confining themselves to selecting supplies and negotiating prices, have left themselves open to the charge that they don't understand the profit-making role of top management.

One typical senior executive puts it this way: "Purchasing people have generally not made top management aware of the potential in procurement because they haven't been speaking the right language-effects on profits."

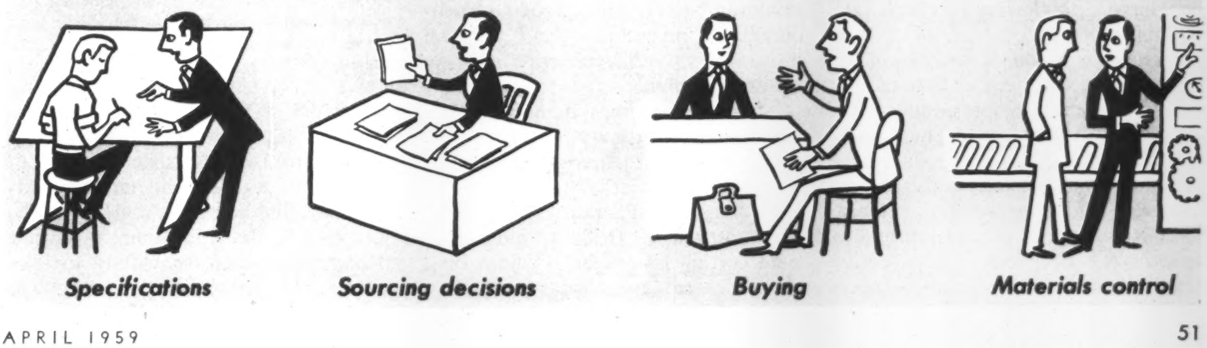
Management sees the light

But despite this frequent criticism, competent purchasing executives in recent years have been gaining status in their companies.

For example, a senior purchasing executive in a large eastern processing business was recently included for the first time as a member of the corporate executive committee. He remarked that at last he had achieved a position enabling him to do "the right kind of a purchasing job for the company."

The frequent lack of any procurement planning and control also indicates that purchasing's profit-building

Where to Look for Savings



Specifications *Sourcing decisions* *Buying* *Materials control* potential has not been subjected to the same scrutiny as, for example, sales. In a recent study of nine manufacturing concerns, top executives readily admitted that they had set no targets and had no objective method of measuring purchasing's performance. Hence, many attractive programs and improvement opportunities are overlooked.

Today, enlightened top management is realizing substantial profit contributions in four purchasing areas, three of which are not usually considered purchasing's immediate responsibility:

- *Design or material specifications:* Purchasing's role here is that of adviser to technical personnel who write the specifications. The objective is to prevent high procurement costs and achieve product advantages.
- *Basic sourcing decisions:* Here, purchasing makes a contribution to make-or-buy decisions. The objective is to achieve lowest purchasing costs on items either produced inside the corporation or bought from outside suppliers.
- *Buying:* Here, purchasing has direct line responsibility for better application of its traditional skills in source selection and negotiation. The objective is to get maximum value by considering all significant elements of a "buy" in every purchasing decision.
- *Materials control:* Purchasing here is increasingly active in the efficient management of materials used in the business. The objective is to achieve minimum supply costs (costs of procurement, inventories, and physical movement) consistent with a given production plan.

One of the things management is *not* doing is to attempt to boost profits by cutting procurement overhead. This would be relatively unproductive, since most of the purchasing dollar goes elsewhere. Besides, indiscriminate cutting of overhead might be a short-sighted saving—dangerous in a competitive period.

Spot Your Hidden Purchasing Gold Mines

1. Do corporate long-range plans include specific goals and programs for procurement?

2. Are basic purchasing policies, governing such things as acceptance of gratuities and handling of vendor bids, set down in writing?

3. Is there an understanding in the organization about who should buy or what group should be responsible for costs of purchased items?

4. Is your senior purchasing executive a member of the top corporate councils? Is he a broad-gaged executive who can anticipate and interpret major company and market developments?

5. Do both engineers and production people welcome the suggestions of purchasing? Do purchasing people "speak the same language" as the engineers?

6. How successfully does purchasing stimulate technical contributions from vendors?

7. How well are company buyers rated by suppliers in terms of knowledge, fairness, and buying skills? How do your company buyers compare in effectiveness with those of competitive companies?

8. What percentage of your purchasing people have college training?

9. Do you make sure that your inventories are kept at optimum levels to meet your production plans and, at the same time, to achieve low inventory acquisition and carrying costs?

10. Do you satisfy yourself that purchasing is doing a good job? Are there approved plans or standards of performance established covering key elements of the buying job?

11. Are the over-all values of purchases influenced by reciprocity equal to those offered by competing vendors?

In most companies, design and material specifications have been the job of engineers or other requisitioners. Yet the purchasing man, if he is called in at this stage, can often help reduce material and manufacturing costs or improve product design and performance.

During the specification-development stage, the purchasing man should act as an adviser or counselor who is qualified to contribute suggestions but does not have primary responsibility for results. He is mainly concerned with cost, while the engineer rightfully tends to worry about product performance. Also, since the purchasing man sees many salesmen daily, he can draw on their specialized knowledge of new materials, new applications, and new products. According to Andrew M. Kennedy, Jr., vice president of purchases and traffic at Westinghouse Electric:

> Our major profit contribution has been achieved by having purchasing close to the engineer during design stages. The best way to begin reducing the cost of purchased items is to influence specifications in a way that permits buying of lower cost units.

Naturally, the purchasing department must be able to offer vendors some hope of reward for technical advice. It is a good plan to record special vendor contributions so these can be considered when picking a source. One major company uses the following policy to encourage vendor contributions:

> For an outstanding design or other technical contribution acknowledged by the engineering department or by a using division, the company will give the contributing vendor an order for a reasonable share of its first-year requirements of that item, at a total price that—considering the magnitude of the contribution—is reasonably in line with the total price of the lowest bidder. After the first year of use, repeat purchases of the same item will be bought strictly on the basis of competitive bids from approved sources—with the exception that a reasonable part of the new requirements will still be purchased from the designing vendor, provided his price is identical or virtually identical with that of the lowest bidder.

Learn the language

If the buying organization is to be most helpful during specification development, it must understand product goals and company marketing objectives. At the same time, the other departments must be willing to take advice from the purchasing executive—although, as one purchasing executive said: "Purchasing itself must be product-oriented and speak the language of the engineers, while being careful not to assume more than the role of an adviser. In other words, the purchasing man must 'earn' his own acceptance."

This means, in effect, that the purchasing representative should be a broad-gaged man, often with enough technical ability to talk their own language to a great many experts among supplier organizations.

There are several reasons why purchasing should be involved in basic sourcing (make-or-buy) decisions. First, it's important to get the lowest short-term cost. Second, it's desirable to bring the competitive pressure of outside bids to bear on inside production costs. Naturally, to give outsiders an incentive to submit accurate bids, a percentage of total requirements should be purchased from outside vendors. A number of companies have, therefore, adopted a percentage-make percentage-buy policy to split sourcing of certain items.

One manufacturer of consumer durable goods uses a "source catalog" in which parts to be procured are classified. These items are designated as "buy only," "make only," "percentage-make percentage-buy," or "optional make-or-buy." Purchasing is responsible for procuring all "buy only" items and all "optional make-or-buy" items from any source on the basis of over-all value. (This is one instance in which purchasing plays more than an advisory role in basic sourcing decisions.) Hence, on "optional make-or-buy" items, an inside source must compete on price as well as nonprice elements.

Keeping up on market facts

Its special knowledge of the market is another reason why purchasing should have a strong voice in sourcing policies. Purchasing's extensive contacts can help keep the company up to date on significant developments and trends in the outside supply market that could affect its production decisions.

To make sure these long-term considerations are included in facilities plans, one very successful company publishes its interplant transfer prices and estimated outside purchase costs annually.

After a similar, though less formal, analysis, another manufacturer contracted to have a large assembly produced overseas rather than make it himself. The savings—$60 per unit—had a healthy effect on the company's year-end results.

In another case, a large manufacturer of consumer durable goods decided to produce an important component formerly purchased outside the company. In addition to a small saving in unit cost, the company was able to protect its source of supply and capture a highly profitable market for replacement parts.

The main job of a purchasing organization, of course, is to pick vendors and negotiate prices. In recent years, much has been heard of "value analysis" as a means of carefully weighing significant nonprice elements of value, such as quality and delivery performance. But "value analysis" is little more than a refinement of the job done for many years by well-informed, analytical buyers.

Another profitable refinement has been the use of "target costs"—that is, estimates of what items *should* cost—to help the buyer obtain lower prices.

At one large metal-fabricating company this approach has been very successful in obtaining ultimate price reductions of more than 20 per cent on individual items. For example, this company had been buying one specialized type of assembly from three outside sources. On the basis of a detailed analysis of the material, labor, and overhead expenses, and a fair rate of return to the vendor, the assembly was found to be overpriced. The disparity of nearly 20 per cent between the "fair" price and the bid prices was eliminated after the company persuaded the vendors to replace obsolete equipment.

Admittedly, target costs are not practical to use for all purchases. And where free markets exist for standard

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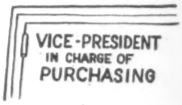
Getting the Most from Purchasing

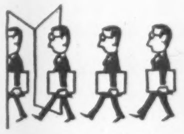
According to Richard F. Neuschel, of McKinsey & Co., there are at least four ways a company can exploit its purchasing gold mines:



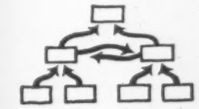
Tailoring the responsibilities and structure of the procurement organization to fit an expanded role

PLANS
POLICIES

Keeping purchasing informed of company goals and insisting that it play a role in setting basic corporate policies that are likely to affect purchasing



Strengthening and upgrading the buying force by including more broad-gaged, technically competent people



Building a meaningful reporting structure to reflect the planning and control of the major profit-building elements of purchasing

Under present tax laws, the capital most men can amass for themselves falls a long way short of the $100,000 needed to provide family security in the years ahead. Result: U.S. business is shouldering more and more of the job—for the rank-and-file worker as well as the top-level executive.

5 WAYS
to Build Employee Capital

Pension plans
Profit sharing plans
Thrift Plans
Stock Plans
Insurance plans

What Price Employee Security?

WILLIAM J. CASEY

AMERICAN BUSINESS has always sought to build capital values for its shareholders. But today many thousands of companies are engaged in a vast, many-sided effort to build capital for their employees. The search for economic security has replaced the mere struggle to earn a living as the main driving force for millions of American workers. And, in our growing economy, one of the big new facts of life is that it takes close to $100,000 to buy security for an employee if he lives, for his family if he dies.

This is the sum for which millions of families are now reaching. To attract, hold, and motivate employees, today's employer has to help them acquire the capital they want for their personal and family security.

Because we live under a tax system which makes it virtually impossible for the average executive, let alone the average wage earner, to accumulate this capital himself, slowly but surely and to an ever-increasing extent, the American employer has taken on the job.

Since the employee can't build significant capital for himself outside the company through his own investment program, the employer is building capital for him within the company, through company stock, employee trusts, company-financed insurance, or some blend of these plans.

Avoiding the tax bite

The value of an ordinary pay increase has been cut to the point where no one keeps more than 80 cents on the dollar, and a top executive keeps from 40 cents to a quarter. That's not all. The return on personal savings has been clipped similarly. Thus, a salary increase of $200 a year, saved at a 4 per cent yield compounded by an employee in a 25 per cent tax bracket, will accumulate to about $7,500 in 30 years. But the same $200 put into a tax-exempt trust will build to $11,600 in 30 years at the same yield.

However, the money deposited in General Electric's savings and stock bonus plan has grown at an annual rate of 12 per cent since 1948. Another major corporation projects that its profit sharing plan, at the rate of growth achieved in the last eight years, will accumulate $144,000 for a $4,000-a-year employee in twenty years. Motorola's savings and profit sharing plan allows an employee to save up to $200 a year, and the company has been matching each employee dollar with annual sums ranging from $1.48 to $4.41. Motorola's contribution is made up of 20 per cent of its pre-tax profits, after taking out 5 per cent of the stockholders' equity.

A Motorola employee who put up $200 a year for the ten years of the plan now has $11,843 for his $2,000, a 492 per cent increase in his investment. In 1957, the employee put up $200, and the company matched this with $296.15. But the employee's account grew by $1,246 for his $200 contribution. The source of the other increments was $65 in forfeitures as other employees left the company and some of their accounts were redistributed, $484 in investment earnings of the fund, and $200 in market appreciation of the fund's assets.

American employers are spending an average of $980 a year on fringe benefits for each employee. The amount of security, future capital, incentive, and loyalty to the company which can be generated by this money will vary widely with the employer's skill and wisdom in using it. To get the most out of the growing outlay for fringe benefits, it is necessary to blend elements of tax protection, incentive for the employee to save, investment skill, and large-scale buying power. The employee can provide none of these for himself, and the company which utilizes these forces most effectively for both executive and rank-and-file employee will have an increasingly decisive advantage in the quest for talent and skill.

During the past ten years, most American corporations have set up stock option plans, stock bonus plans, deferred compensation contracts, special insurance plans, and other methods by which the corporation produces for its executives the family capital which the tax structure prevents them from accumulating for themselves.

How Much for Security?

It takes $100,000—give or take a little—to provide a man in retirement, or his family at his death, a substitute income sufficient to maintain a reasonable living standard. A six-figure sum has to be the target if the family position is to be maintained in a growing economy in which living standards are purchased by dollars that slowly lose their value.

It is projected that in 25 years—in 1982—the average American household will have an annual income of $13,000. If the dollar continues to lose value at 2 per cent a year, it will take $20,000 to buy a $13,000 living standard in 1982.

But let's be very conservative. Let's allow for over-optimism. Let's hope inflation can be curbed. Let's suppose that, in retirement, it will be possible to live on half-rations. On the basis of all these happy assumptions, let's cut the target down to $6,000 a year, and let's suppose social security will take care of 30 per cent of that. At a 3 per cent savings bank yield, it will still take more than $150,000 of capital to do the job.

Benefit plans as bait

Companies are finding it necessary to offer these benefits both to hold their people and to recruit men from other companies which already provide such benefits for their employees.

For example, one company lost its chief executive by death. It was necessary to replace him with a man experienced in the industry. A logical successor was found, but in negotiating with him, it turned out that for ten years he had been accumulating benefits under a pension scheme. It would take more than $150,000 in salary to give him, after taxes, the equivalent of what had been accumulated for him in the pension fund.

The company that needed his services had no pension plan of its own. Consequently, it was obliged to offer him:

- a very large cash sum, or
- a very much higher salary than that earned by the deceased president, or
- a very attractive deferred compensation plan, or
- a stock option deal.

The problem was finally solved by a combination of salary, deferred pay, and stock option.

Another reason companies are being forced to seek new methods of compensation for their executives is that, under the tax set-up, a man who is self-employed usually can keep more of his net income than a salaried executive (see box below).

The Lure of Self-Employment

Under existing tax laws, the financial rewards of self-employment can be tempting to the executive in a high bracket—a fact that companies have to keep in mind in devising compensation plans. Many a vice president handles nationwide responsibilities with the knowledge that he could net more income and build more security for his family with a distributorship.

For example, an energetic man sets up a sales agency which is good for a net of $50,000 a year. He takes $25,000 in salary, which leaves him $18,656 after taxes. The tax on the $25,000 of corporate income, after all deductions, is $7,500. That leaves $17,500 in the corporate treasury. This figure is reduced by 25 per cent capital gains tax—evidence of the fact that a dollar in the corporate treasury isn't worth as much as a dollar in the owner's pocket. After applications of all taxes—individual, corporate, and capital gains—the owner is left with $31,781 for the year.

Suppose he drew $25,000 in salary in an executive position in somebody else's company. He'd have to get an additional $26,000 in investment income to come out as well. To get that from an investment paying 6 per cent interest would take capital of $435,000. By operating his own small company, our man may do as well with a $20,000 investment.

But top management men are not the only ones affected by changing economic conditions. Today, inflation and income tax burdens, together with the need for big capital to achieve family security, have reached so far down the economic scale that more and more companies are finding it necessary to develop special methods of accumulating capital for their rank-and-file employees.

Needed: bigger nest eggs

If projections of a $13,000-a-year average income come true, every American stands to be 50 per cent better off in twenty or 25 years. No man, no family, will be happy if left behind. This fundamental fact makes it essential to set sights high. We know that it takes $100,000 today to provide out of investment income the kind of living standard that $40,000 worth of capital could buy twenty years ago.

Millions of American workers today are building important capital or having capital built for them. In the course of twelve years, the profit sharing plan of one corporation with 1,500 employees is now worth $8 million—more than half the value of the entire company. A $6,000-a-year employee who has worked for this company for the past twelve years today has $36,000 of capital accumulated to his credit. At the end of a 25-year period of service, at the same rate of accumulation, this employee will have $150,000 in the profit sharing plan.

The General American Oil Company of Dallas, Texas, projects that, after 30 years of service, an employee who has average earnings of $1,000 a month will enjoy a monthly income of $1,082, made up of social security, a pension of $608, and dividend income of $474 on $94,870 worth of stock accumulated under the company's stock bonus plan.

These examples are being duplicated to some degree by thousands of companies throughout the country. The five main methods by which these companies are creating millions of employee "capitalists" are pension, profit sharing, thrift, stock, and insurance plans. There are many variations on these main themes, and most companies use a combination of three or four of the techniques.

More than a quarter of all employees are covered by private pension plans. More than 15 per cent of the insurance company reserves come from company pension plans. American Telephone & Telegraph's pension fund is almost $3 billion and is one of the greatest financial amalgamations in existence.

Pensions are usually thought of in terms of $100 a month. It takes about $15,000 in capital to produce a lifetime annuity of $100 a month. Including social security, the usual pension comes to about 50 to 60 per cent of working salary. That puts most private pensions at about $100 a month. But there are executive pensions which run up to $50,000 a year and beyond. To fund one of these, a private pension plan has to have $500,000 or more in capital.

The pension trust route is the cheapest way to produce retirement income. At that, it's an enormous obligation. When U.S. Steel set up its pension plan, it took on a liability for pensions based on past service which ran to half a billion dollars, one fourth of the company's entire net worth at the time.

The things about a qualified pension plan which make this burden manageable and which accelerate the generation of employee capital are these:

- The company can deduct its contribution.
- The company contributions are not taxable to the employees until they start receiving their pensions.
- In the interim, the fund can compound investment income tax free.
- The huge past service liability can be funded over a long period of time.
- The money contributed each year can be earmarked for the older employees. This feature makes the pension plan the only practical way to create capital for employees who are along in years when a company embarks on a capital-building program.

Premiums from Profit Sharing

An employee has $300 a year going into a profit sharing plan that is compounding at a 10 per cent annual rate. Here's how a $10,000 split-dollar life insurance policy with premiums of $220 a year and an average cost of $22 a year to the employee can balance out the amount of capital which his family can expect after his death:

Dies at age	Interest in profit sharing plan	Insurance equity	Total for family
35	......	$10,000	$10,000
40	$ 2,300	9,300	11,600
45	5,500	8,300	13,800
50	10,800	7,200	18,000
55	19,150	6,000	25,150

Advantages of profit sharing

Through some 20,000 profit sharing plans, employers are making annual contributions to trusts for their employees. As with pension plans, these contributions are tax deductible, are not taxed to the employees until they get the cash, and accumulate tax-free investment income. The employer contribution can only be deducted to the extent of 15 per cent of the employees' regular pay. When there is both a profit sharing and pension plan, this limit is 30 per cent.

Small companies incline toward a profit sharing plan on the theory that they will be committed to contribute only when they have profits and that they get more incentive value when their obligation is tied to the company's profit.

Many profit sharing plans have built capital very fast because, in addition to tax-free investment income, the beneficiary has two other big factors working for him:

- Capital appreciation on investments made with profit sharing money; and
- Forfeiture money which is taken from the accounts of employees who leave the company and added to the accounts of those employees who remain with the company.

This combination of investment income, capital appreciation, and forfeiture credits, all tax free, has frequently compounded profit sharing contributions at 10 per cent a year and better. Unlike the usual pension plan, where the employee benefit is fixed and capital appreciation and forfeitures go to reduce the company's contribution, the sky is the limit in a profit sharing plan, because the employee gets the benefit of extra income and capital gains.

The Sears, Roebuck and Co. profit sharing plan offers a striking illustration of how capital can be built for employees over a period of years. Under the Sears plan, each member deposits 5 per cent of his compensation—up to a maximum of $10,000 a year—or a maximum deposit of $500 a year. The company makes a maximum contribution of 10 per cent of company profits before taxes. For 25 years, the earnings of the fund were invested only in Sears, Roebuck stock.

Since 1941, a portion of the fund assets, roughly equal to the employees' contribution, has been invested in interest-bearing obligations to insure that their contribution would be kept intact, with the Sears stock being velvet accruing to their benefit from the company's contributions. In 38 years, the employees have put in $191 million. They have taken out $351 million and still have $633 million left. That miracle has been produced by the company's contribution of $312 million, working together with

continued on page 97

How to Stretch Your Postage Dollar

A new DR&MI survey shows how companies are adjusting to the recent one-third increase in postal rates, reveals the cost-cutting steps they are taking to trim business' annual $2.4-billion mailing bill.

SIX MONTHS after the one-third rise in postal rates went into effect, companies are dealing with the resulting cost problem as they have with other recent hikes in operating overhead—by taking steps to cut or offset costs through strict economies and improved facilities.

Better than three-fourths of the industrial companies replying to a new DR&MI survey say they have introduced a variety of cost-cutting procedures since postal increases went into effect in August and again in January. And most of those who say they have not done so say it is only because their mailing operations already are as economical as possible.

Considering that, before the rates went up, the 41 large and small companies in the DR&MI survey spent a total of $4.4 million a year for postage, it's easy to understand their determination to offset what most of them estimate will be about a 25 per cent increase in their postage bill.

The scope of the problem is even more apparent when the postage bill for all U.S. businesses is totalled up. An estimated $2.4 billion was spent for business mail in 1958, accounting for 75 per cent of all revenue collected by the Post Office.

Won't change price tags

More than half the survey respondents insist that the increased postal costs will not be reflected in the net sales price of their products. Generally, they are attempting to absorb or offset the cost by mechanizing mail room operations, training mail handlers and typists to be more productive and cost-conscious, using less expensive types of mailing, substituting other means of communication and advertising, and a host of other measures (see box on page 58) designed to improve efficiency and productivity.

A leading food products manufacturer who used these economy measures reports its postage costs, which before the increase were about $200,000 annually, have been cut by $20,000 to $30,000.

Specifically, this company has made more use of machines for weighing, stamping, folding, and stuffing mailing pieces to increase accuracy and cut direct labor costs. It has made greater use of its private line Teletype network to relay interoffice messages, and it has saved on stationery by reducing paperwork.

The company has also saved three cents on each letter by using first class mail instead of air mail. Tests have shown that regular mail now goes through just about as fast as air mail, and that posting air mail letters after noon Thursday is an expensive waste of postage.

Another step this company is taking is to upgrade its mailing lists to make sure they are up-to-date and that they pinpoint special markets. Companies have found that a good customer list produces from two to seven times more returns than most lists which can be compiled or purchased.

The increased use of bulk mailings is another favored money-saving procedure. A chemical manufacturer, which spends $86,000 a year on postage, says it will save $10,000 this year by bulk mailing circulars, merchandise, and catalogs at the cheaper bulk rate which is computed by the

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How Good Is the Postal Service?

Whatever else they may think about higher postal rates, companies replying to the DR&MI survey show little inclination to blame the Post Office Department for the rising costs. The consensus seems to be that, while the service is often slow and erratic and could be improved, the Department is doing the best it can to handle the tremendous volume of mail.

Only one respondent claims that the postal service is getting worse, and he specifically cites parcel post service. A few respondents say that mail service is improving, but three-fourths of the companies state that it is staying about the same. However, "about the same" has many meanings ranging from "sporadic—sometimes very good, often very bad" to "excellent" and "exceptional."

Uneven quality of service is the most frequent criticism voiced. Respondents say mail from certain parts of United States is slower than necessary and that third and fourth class mail service could be better.

Generally, the business men are sympathetic to the problems the Post Office faces. As one man puts it: "Any further increases in postal rates should apply only to modernize the postal system. It is foolish to expect our postal system, which in some areas has seen little or no change in the last ten years, to be sufficient for our present-day needs."

(For a report on the Government's program to modernize and mechanize the postal service, see the DR&MI interview with Postmaster General Arthur E. Summerfield on page 117.)

Money-Saving Mailing Tips

Here is a checklist of practical ways to improve your mailing operations, incorporating the advice of direct mailers, suppliers, office management consultants, and industrial users replying to the DR&MI survey:

Re-examine all incoming and outgoing mail-handling procedures to eliminate waste motions and duplication. Use the helpful mailing tips offered by suppliers, agencies, and the Post Office.

Mechanize your mail room with accurate scales, inserters, staplers, and postage meters which also print a useful advertising message.

Hire more experienced mail room help (retired postal workers are ideal), and retrain present employees to do a more productive job.

Combine mailings to individuals in other company offices through a central mailing department.

Mail as much as possible before noon. Letters mailed before the peak-load time arrive 24 hours ahead of letters mailed at the end of the day.

Consider using first class instead of air mail. Don't use air mail after noon Thursday.

Use the 3-cent postal card instead of letters for routine matters like acknowledging orders, announcing price changes, and sending brief notices to dealers, salesmen, and customers.

Whenever possible, send heavy printed matter or samples by third class mail, paying extra for the first class letter enclosed.

Test reaction to elimination of business reply envelopes.

Make each business letter do its job better. Check savings on automatically typed letters.

Consider acknowledging mail orders only when there will be a delay.

Pay greater attention to the follow-up of all inquiries at point of purchase.

Study billing practices to see if billings can be combined and unnecessary mailings eliminated.

Make greater use of the telephone and private Teletype networks.

Plan your direct mail advertising and promotion strategy well in advance to benefit from quantity production and buying. Re-examine all copy to make it as effective as possible. Do more research and testing of methods and materials.

Use only highly selective, up-to-date mailing lists to avoid duplication and to pinpoint your special markets. Have all lists zoned free of charge by the Post Office.

Use bulk third class mail instead of straight third class mail.

Consider the possibility of economizing on typing operations by adopting a simplified, shorter form letter which will also permit the use of smaller-size stationery.

Offer more items in the same mailing so that the percentage of return may be increased.

pound rather than by the piece. Some companies report they are bulking outgoing mail to their plants and offices, while others are substituting bulk for third class mailing.

At the same time, many of the surveyed companies report they are sending a larger portion of their mail third class instead of first class. One rubber company won't allow the use of first class postage without authorization by department managers.

A number of concerns have eliminated prepaid business reply envelopes and cards, and others are feeling out customer reaction to this move.

Postage savings also are being effected by greater attention to stationery and printing supplies. In some cases, the quality of stationery has been reduced, while other companies are using lighter-weight but high-quality paper for stationery, catalogs, and other publications.

Many companies are saving the cost of an extra addressing by using window envelopes and "die cut" labels instead of plain envelopes.

Closer scrutiny is being given, also, to the content of every piece of business mail. For example, to get the most value for their postage dollar, many companies are including "free ride" informative inserts in statements and routine correspondence.

Some concerns are using automatically typed form letters to save typing costs, while others are instructing their typists to use a simplified letter form.

No big cuts in mailings

Some companies are attempting to combine mailings to branch offices and to eliminate some billings. Others are making greater use of other means of communication and advertising. But only a handful of the companies replying to the DR&MI survey say they are cutting back their mailings by any appreciable amount.

This seems to be borne out by surveys taken by direct mail organizations, which are naturally apprehensive that the one-third increase in the third class mail which went into effect on January 1 may cut into their $1.7-billion annual business. In a poll taken by Waldie and Briggs, a Chicago advertising agency, at a convention of the National Industrial Advertisers Association, better than 80 per cent of the industrial advertising managers said the new postage rates will make absolutely no difference in their use of direct mail. They said they will absorb the cost in increased budgets or economize by cutting mailing lists.

When companies replying to the DR&MI survey were asked what other steps they would take if the rates should go up again in the near future, the majority answered: "More of the same." A few declare they will protest the Government action. But none suggests any further reduction in mailings.

In other words, most businesses, when they are satisfied that they have brought mailing costs down to the irreducible minimum and have boosted mail room efficiency to the maximum, will simply bear the added cost. "The mail must go through" still applies where essential business functions are concerned.

—Christina Kirk

Wayne C. Gault, Industrial Agent, Dallas, Texas

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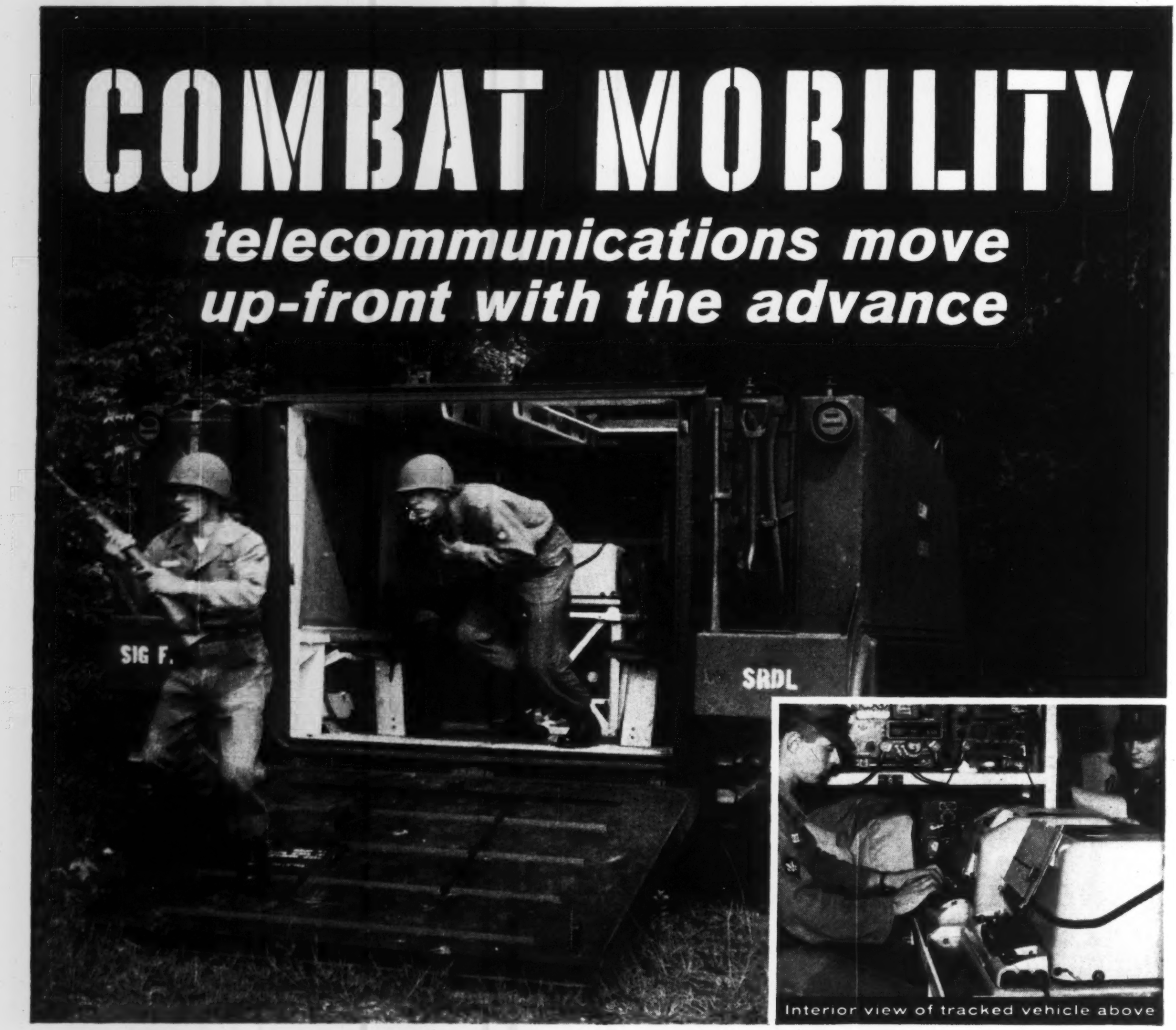

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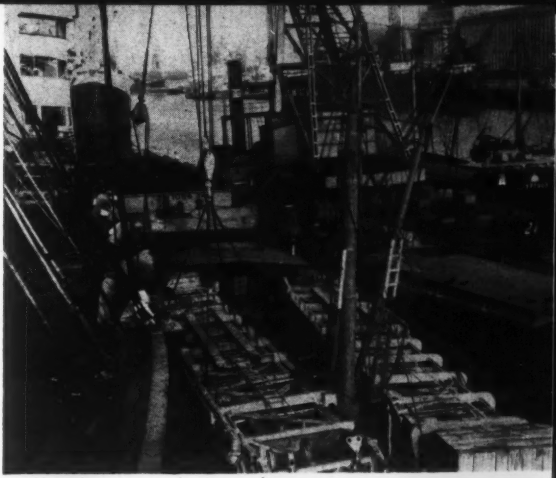

Competition will be keener for overseas markets this year. But despite new problems that may hamper export recovery in some lines, you can look for a definite pick-up in the over-all tempo of trade.

Sizing Up the Export Picture

IF TRADING in overseas markets makes a significant contribution to your over-all sales and profit picture, your export division will probably have its hands full this year to retain its competitive position in most world markets. If you are a newcomer to the export field, you may find the going unexpectedly tough.

But the outlook for exports is far from dismal. U.S. exports in 1959 are forecast at $17.1 billion—or 5.6 per cent more than last year—according to the Balance of Payments Group of the National Foreign Trade Council, a top-ranking group of U.S. banking and business executives. Our imports are expected to reach a level of $13.8 billion, a 7 per cent improvement over 1958, according to the NFTC group. (U.S. imports provide most of the dollars to meet the trade bills of our overseas trading partners.)

Tourism and convertibility will help

As they have done repeatedly in recent years, travel and tourist expenditures abroad this year will again hit new high levels, providing an estimated net balance in excess of $1 billion for the exchange coffers of many countries overseas, mostly in Europe.

Currency convertibility in trade transactions, now in effect in fourteen countries (with possibly more to come), and modification of import quotas in other markets will mean greater freedom for trade interchange between countries in certain areas.

An estimated net increase of $3 billion in the gold and dollar holdings of foreign countries will tend to fortify the currency convertibility moves, reducing one of the biggest stumbling blocks to export operations and improving the climate for trade.

Export patterns fairly stable

These are the encouraging developments now in prospect. And they are fortified by one statistical fact: Our export trade, in terms of composition by major products, has shown a remarkable stability in recent years. Among twenty key product categories, only three major and two minor groups show any sharp contraction in a point-to-point comparison with export levels eight years earlier. These "soft" exports are raw cotton, down one-half; textile fibers and cotton manufactures, down one-fourth; petroleum and products, off one-third; trucks, down one-fourth; and textile, sewing, and shoe machinery, down one-third.

To bring the statistical trends into sharper focus, a review of exports for 1958 shows that some product lines bucked the downward drift. While total shipments overseas sagged by slightly more than 20 per cent to a level of $16.2 billion, several of the key groups put on a good showing (see the table on page 62).

U.S. companies with export aspirations will find some basic and far-reaching problems continuing even beyond 1959. Briefly, here are some of the unpleasant realities:

- Higher and rising prices are making it tougher for direct exporting companies to compete overseas.
- Competition abroad for world markets in capital and consumer goods is developing on three fronts: (1) pending mergers of various local companies within the European Economic Community (also called the European Common Market) will have eventual repercussions on export markets outside the EEC; (2) there is a persistent and growing trend among U.S. companies to establish plant facilities overseas, directly or through licensees, in order to compete for exports as well as local markets; (3) underdeveloped countries increasingly favor protected local industries.

Communist vs. free world trade

- Expansion of the economic warfare on a global scale by Soviet Russia and Red China in a broadening group of commodities, mostly of the extractive and agricultural type, is proving more and more troublesome. Even the United States has been penetrated lately with shipments of Russian oil and benzene.
- Churning price levels in commodities on which many of the underdeveloped and industrial countries depend for their economic livelihood is causing uneasy markets, and produc-

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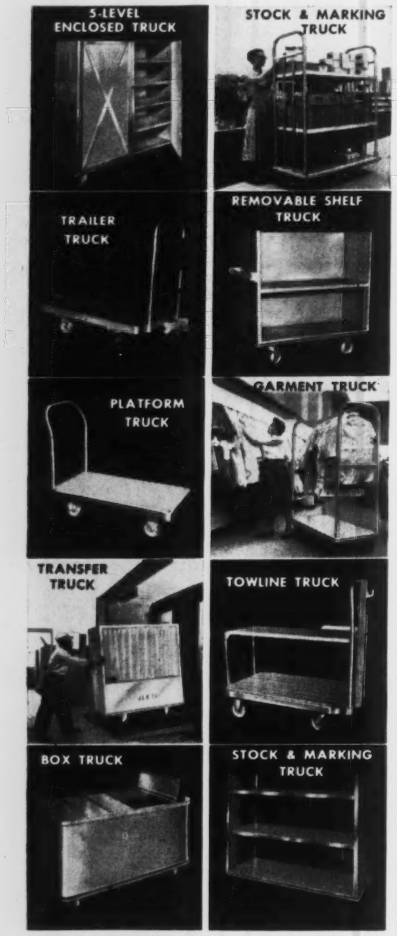

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U.S. Exports: 20 Key Markets and 20 Key Products

A comparison of ten months 1958 with ten months 1957, reflecting significant changes

AREAS *(number of countries indicated in parentheses)*	1958 exports in million of $	Percentage change
Western Europe (20)	3,697	−20
Latin America (23)	3,174	− 9
Canada	2,864	−14
Far East and Oceania (16)	2,028	−25
Africa (13)	494	−14
Middle East (7)	357	+ 6
COUNTRIES		
Mexico	752	+ 2
Japan	687	−34
United Kingdom	669	−28
Venezuela	667	−20
West Germany	609	−23
Cuba	462	
Brazil	434	+ 9
Italy	409	−38
France	363	−30
Netherlands	354	−24
Belgium Luxembourg	274	−21
India	246	−34
Philippines	232	
Union of South Africa	213	
South Korea	177	
Australia	154	
Israel	89	+ 9
Iran	87	+30
United Arab Republic (Egypt)	41	+24
Morocco	35	
PRODUCTS		
Machinery and equipment	3,701	
Foodstuffs	1,839	
Chemicals	1,114	
Raw cotton	571	−34
Textile fibers, cotton manufactures	523	
Rubber products	491	−18
Iron and steel products	473	−44
Coal and related products	459	−37
Metal manufactures	399	
Petroleum and products	392	−40
Tobacco and manufactures	348	
Nonferrous metals	267	−31
Paper and products	249	
Leather products and vegetable oils	217	
Wood products	101	
Books, maps, and printed matter	93	+ 6
Photographic equipment	87	+ 2
Iron and steel scrap	85	−71
Scientific and professional equipment	83	
Musical instruments	33	

tion imbalances are aggravating this trend. Examples are the sporadic increases in copper prices and the persistent decline in coffee prices.

All these elements, directly or indirectly, contributed to sliding U.S. exports in 1958. They may explain why exports are still lagging behind the domestic upswing in contrast to what happened during the 1953–54 recession. At that time, strengthening export sales helped limit the depth and the duration of the decline.

Going behind the statistical scenes of the markets will help in understanding some of the shifts that have taken place.

Western Europe: Economic expansion, which was already slowing down in 1957, became stabilized during the first half of 1958. The accompanying lessened consumption of industrial materials and the growth of top-heavy inventories led inevitably to a sharp 20 per cent drop in our exports to that area. Especially hard hit were sales of coal, steel scrap, unfabricated copper, and other producers' supplies and materials. A better harvest and bigger supplies of agricultural com-

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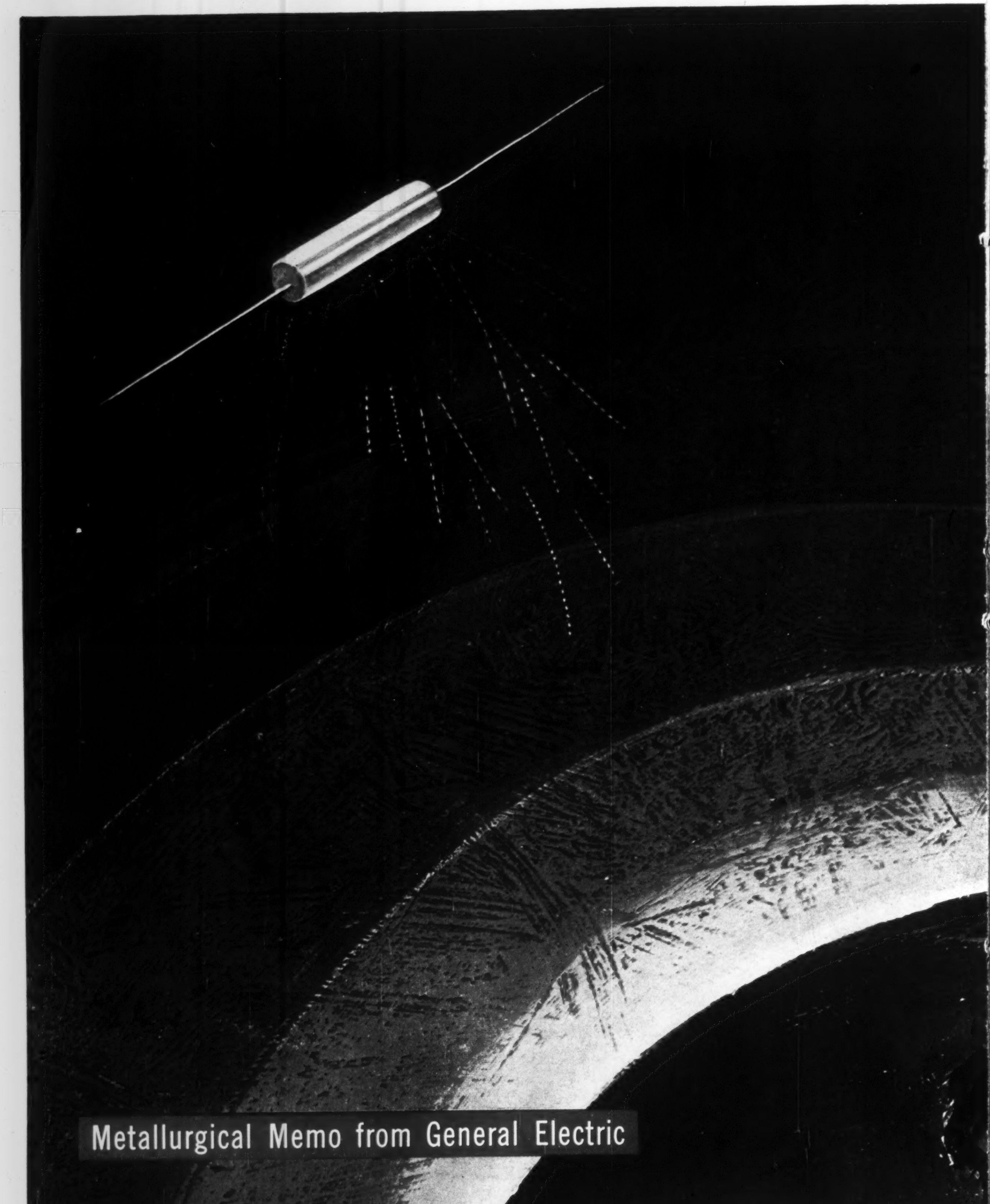
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. . . and on new production facilities that permit
them to be tailor-made for any application

One of the critical pieces of information relayed from space by Explorer I was its external skin temperature as it orbited around the earth. This exacting job was assigned to a General Electric RF-111 high-temperature thermistor.

Thermistors, a new but already established form of resistor, have resistance that varies with minute temperature changes. They provide controlled temperatures for home cooking, give extra life to T. V. picture tubes by suppressing current surges, fill many military electronic tasks . . . and they can be tailor-made by General Electric to nearly any specification.

Another type of resistance material made by General Electric is Thyrite®. Thyrite varistors differ from thermistors in that they are *voltage* sensitive. One of their jobs is protecting electric motors from over-voltages and arcing.

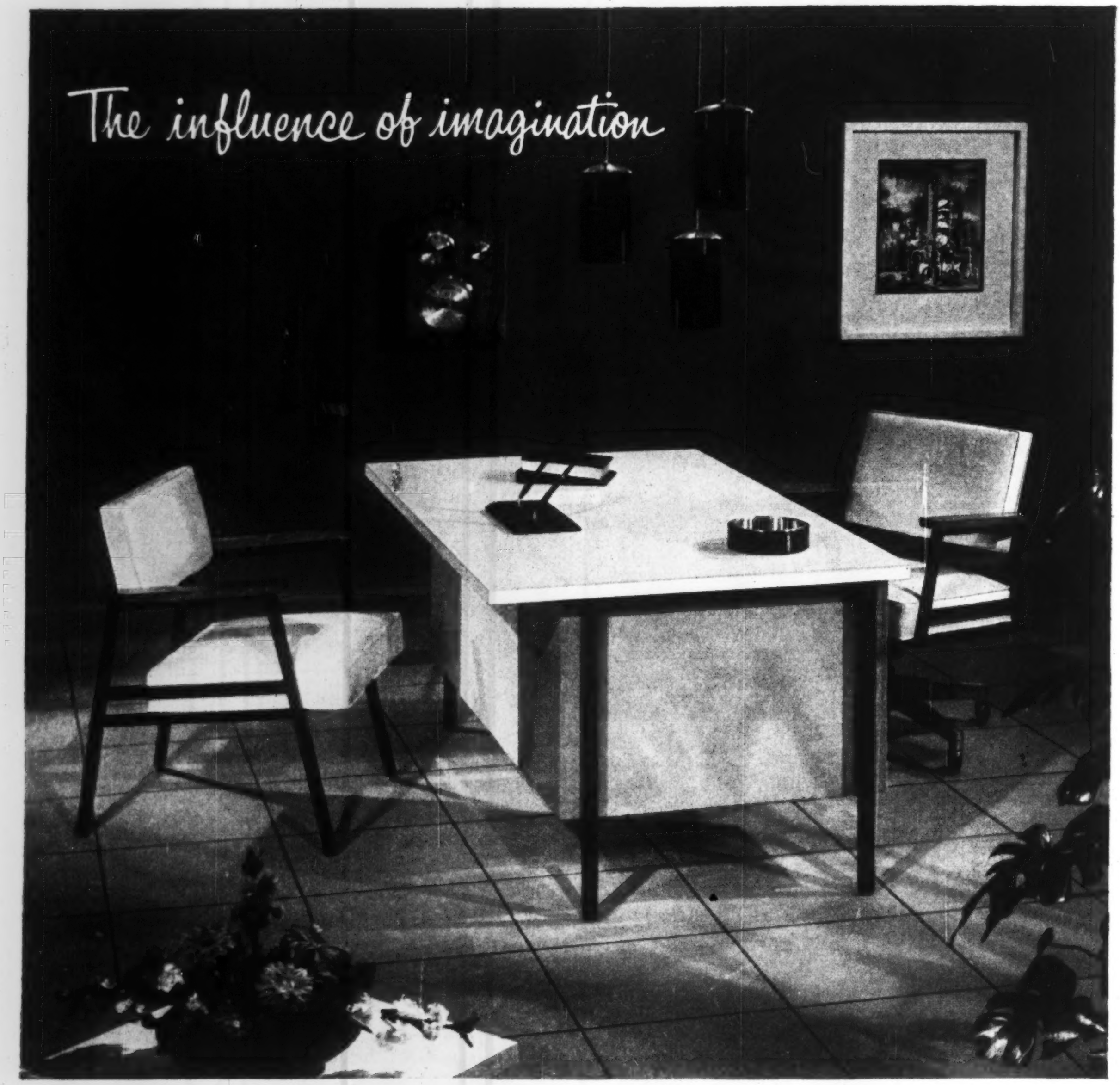
The Magnetic Materials Section of General Electric's Metallurgical Products Department has been a pioneer in the development and refinement of these new semi-conductors. Can a G-E thermistor or Thyrite varistor improve the performance of one of your products? Write: *Magnetic Materials Section, General Electric Company, 11179 N. Neff Street, Edmore, Michigan.*

General Electric thermistors are manufactured in a wide range of sizes and types of assemblies from tiny .05" beads to 3" diameter disks—with resistance from 1 to 10,000,000 ohms. They are made from many thermistor materials that offer a variety of electrical characteristics for both industrial and consumer applications.

MAGNETIC MATERIALS SECTION

GENERAL ELECTRIC

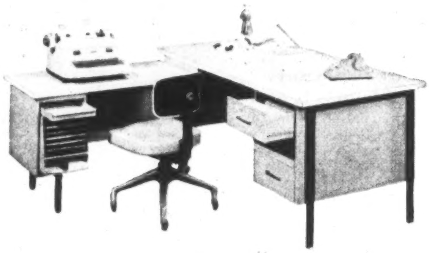
CARBOLOY® CEMENTED CARBIDES • MAN-MADE DIAMONDS
MAGNETIC MATERIALS • THERMISTORS • THYRITE® • VACUUM-MELTED ALLOYS



Modern office living, interpreted by Steelcase

Here are two of many settings in the new Steelcase 1300 series. For the first time, the full resources of contemporary design and engineering — fired by imagination — have been brought to focus on the modern office. The result: office furniture with a fresh new beauty, crisp efficiency . . . yet sensibly priced. Steelcase Inc., Grand Rapids, Michigan. In Canada: Canadian Steelcase Co., Ltd., Don Mills, Ontario. Consult the Yellow Pages for your Steelcase dealer.

FOR YOU: On request, a set of 12 full-color 1300 line prints. Just address Department D.



STEELCASE INC

modities, coupled with the temporary slowdown in the U.S. surplus farm goods disposal program, also reflected unfavorably on the foodstuffs group.

Latin America: The comparatively moderate dimensions of the decline in our 1958 exports to this area might look encouraging, except that European exports to Latin America were holding their ground or even gaining during the same period. The key economic trouble spot was Venezuela, which faced three major economic problems: (1) record-breaking 1957 imports piled up big inventories that became hard to work off as business activity eased in 1958; (2) economic headaches were aggravated as the tempo of Venezuela's internally financed development program slowed down; (3) there was a severe reduction of direct U.S. capital investments following an extraordinarily high inflow in 1957. With these problems to plague it, Venezuela cut its imports sharply, and our export shipments responded by dropping 20 per cent.

There were other softening export areas spreading to a half-dozen countries: Colombia, Cuba, Argentina, Chile, Peru, and Uruguay. At the same time, however, our sales to two key markets—Mexico and Brazil—were sustained and even increased. If the cut in coffee revenues hurt Brazil, there was an offset in large credits from U.S. commercial banks, the Export-Import Bank, and the International Monetary Fund which eased pressure on the Brazilian exchequer.

Canada: With the net outflow of U.S. direct investment cut by almost two-thirds from exceptionally high levels in 1957 (a result of the completion of numerous large projects involving natural resources), Canadian purchases from us contracted sharply in 1958. Badly affected were U.S. exports of construction, excavating, mining, and other machinery and equipment. These were down $190 million, or nearly 20 per cent. The over-all decline in U.S. exports was paced by a severe slash in shipments of industrial supplies, especially coal and steel, which dropped 42 per cent, or $175 million. Internal improvements in business activity were substantially confined to residential construction and public works.

Far East: The focal point of trouble here was Japan, which normally accounts for about $1 for every $3 we export to the Far East. Spreading

ONLY FULLY TRANSISTORIZED
PORTABLE
dictation machine with
All controls in your hand

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Uses same Erase-O-Matic non-slip belt as Standard Desk Machine. Belt can be reused thousands of times. No recurring costs as with ordinary belts, discs, cylinders—a saving that pays for your Coronet. Belt is easy to insert and remove. Operates on 6 small mercury batteries, available anywhere, or on A.C. with tiny power pack.

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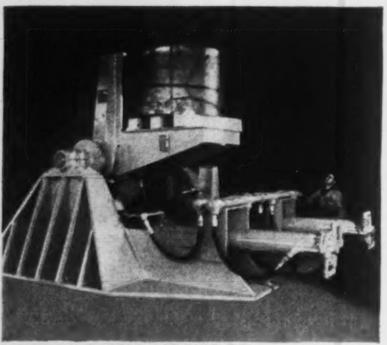
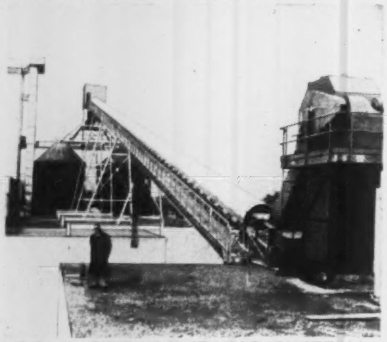
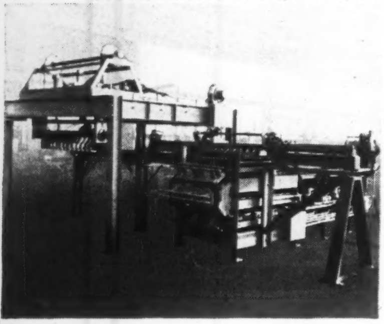


HEAVY DUTY UPENDER



LOG & CHIP HANDLING SYSTEM

AUTOMATION EQUIPMENT



PV

FINDS THE ANSWERS

"PV" stands for *Planet Versatility* . . . a quality that has made Planet Corporation known throughout industry as an organization that has solutions to the most perplexing production, materials handling, or automation problems.

Planet Corporation engineers apply uninhibited thinking to problems to find workable solutions that increase efficiency. No job is too big or too difficult . . . Planet's "PV" engineers have automated production lines, built bulk and unit materials handling systems, designed complete foundries, developed the world's only true universal transfer device . . . they are experts, in fact, on all types of special handling and automation machinery, and materials handling equipment.

Let Planet demonstrate how its versatile engineering skill, and production and erection know-how can help you. Discuss your problem with a Planet "PV" engineer . . . *it pays to Plan with Planet.*

PLANET CORPORATION

98

ENGINEERED HANDLING SYSTEMS
• AUTOMATION EQUIPMENT
• MILL & FOUNDRY HANDLING EQUIPMENT

1835 SUNSET AVENUE • LANSING, MICHIGAN

production cutbacks, high inventories, and a continued shrinkage in domestic capital formation all had sharp repercussions on our exports of industrial supplies, especially steel scrap, iron and steel products, copper, fuels, and cotton. Japanese industrial output continues at comparatively low levels, but an improved international balance of trade resulting from sustained exports and curbed imports promises to brighten this picture.

Africa: Within the marketing bloc of thirteen countries on which export tabulations are reported, the Union of South Africa stands out as our most important customer, accounting for two-fifths of our export dollars in Africa. While the economic situation in South Africa remained basically sound in 1958, the growth of trade imbalances caused the government to veer away somewhat from its policy of sustained import decontrol. Under the pressure of lower revenue from its own exports and a drop in capital inflow which caused a steady decline in gold and foreign exchange holdings, the government backtracked on its liberalization policy and put new regulations into effect to discourage certain import groups. These controls, which went into effect in May 1958, had a mildly depressing effect on our exports. By October 1958, these were down 12 per cent, or just under the average decline for all U.S. exports to Africa. Competition from the United Kingdom, Japan, Canada, and West Germany is increasing, and U.S. companies will have to work hard to maintain their competitive posture in this market.

Middle East: This area, with its affinity for troublesome problems, reacted well in a problem market in 1958. It was the only area to show a gain in export tabulations during 1958. Three of the markets—Israel, Iran, and the United Arab Republic (Egypt)—accounted for three-fifths of U.S. products sold to Middle East markets. Political upheavals during the first half of 1958 created dislocations in trade, but, as conditions quieted down, export sales picked up. While trade will remain exposed to the uncertain political climate, the substantial revenues accruing to the several oil-producing Middle East countries make this a worth-while market to explore for export possibilities in the future.

—ALEXANDER O. STANLEY

The U.S.S. Forrestal—official U. S. Navy photo.

Which carrier pulls more weight?

THE MIGHTY CARRIER, U.S.S. Forrestal, pulls *its own* weight . . . a massive 60,000 tons! The modern CXI fleet of trailers pull *your* weight. Last year this totaled more than six times the weight of this gigantic aircraft carrier.

CXI handles a lot of tonnage. But, it really makes no difference whether your shipment weighs several tons or only a few pounds. CXI's efficient planning gives you the assurance of prompt, reliable service.

Call CXI, the dependable carrier serving the East and Mid-West.

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Beneficial Reports for 1958

Beneficial Finance SYSTEM

- **More than 1,500,000 families served**
- **Milestone of 30,000,000 loans reached**
- **Earnings at new record high**

For the fourteenth consecutive year earnings of the Beneficial Finance System recorded a new high—every year since the end of World War II.

During the year a new milestone was reached—30,000,000 loans totaling $7,800,000,000. This covers the period beginning in 1929, the year of incorporation of Beneficial Finance Co.

The small loan service provided by Beneficial has been the answer to the financial problems of many millions of families, by advancing the cash needed to refinance bills already incurred, to pay medical expenses, and to help through a temporary cash emergency.

. . . a BENEFICIAL loan is for a beneficial purpose.

HIGHLIGHTS	1958	1957
Net Income	**$ 21,731,164**	**$ 20,152,232**
Net Income per Common Share	**$2.07**	**$1.91***
Cash Dividends per Common Share	**$1.00**	**$.95***
Total Assets	**$521,551,077**	**$511,768,524**
Amount of Loans Made	**$712,861,626****	**$754,673,124**
Number of Offices	**1,142**	**1,089**
Instalment Notes Receivable *(after deducting Unearned Discount)*	**$509,642,263**	**$492,742,936**

*Adjusted to present capitalization.
**Principal only—commencing in 1958 unearned discount (approximately $10,000,000 for the year) is being excluded.

The information contained herein should be read in conjunction with the financial statements and notes appearing in the 1958 Annual Report to Stockholders. A COPY OF THE REPORT WILL BE FURNISHED UPON REQUEST.

Beneficial Finance Co.
Beneficial Building, Wilmington, Delaware
MORE THAN 1,100 OFFICES IN THE UNITED STATES, CANADA AND HAWAII

PRESIDENTS AND PAPERWORK

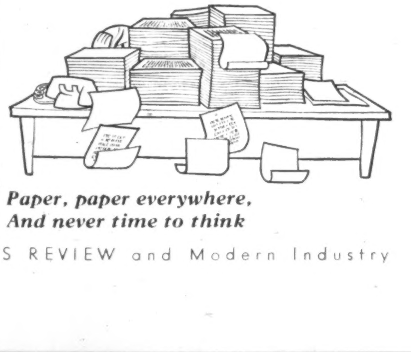
continued from page 47

Electric, for instance, simple arrows, bar graphs, and pie charts, plus a few sentences about profits and investment, are used to sum up a complex yearly report on the operations of an entire division.

Evaluate the merits of completeness vs. speed. Many reports presidents get, while excellent in every other way, are useless because they're late. Therefore, review the papers you get. Analyze their contents for duplications and non-essential parts. Help by cutting the work that goes into them. When you must have a report *now*, ask for rough totals or work with detailed "batches" or parts of reports that indicate trends. You don't want a report explaining why you just lost your biggest customer. It is probably too late to do anything about it. You need a report when trouble is brewing.

One of the best known set-ups for this type of informational clock-racing—providing completeness and speed—is United Air Line's nationwide reporting apparatus headquartered in Denver. Here, at 8:30 each morning, in the famous "room with the 14,000-mile view," United Air Line executives get current weather, traffic, and performance data—along with a complete profit-and-loss statement for the previous day—wired from outposts from New York to Hawaii.

Integrate your report system. Unclogging the paper pipelines to the president's office means little if the tributary pipes, leading in and out, block an *organic* flow of data throughout the company. Each executive, at whatever level, faces his own problems of too much paper and too little time to digest it. A well-planned reporting system should, at least, (1) give each executive the data he needs to make decisions for which he is responsible and (2) give him the control data needed to measure performance. That—and no more. Reports



***Paper, paper everywhere,
And never time to think***

should flow from level to level, leading logically from detailed production or sales tallies, to supplementary reports, to ultimate summaries for the boss.

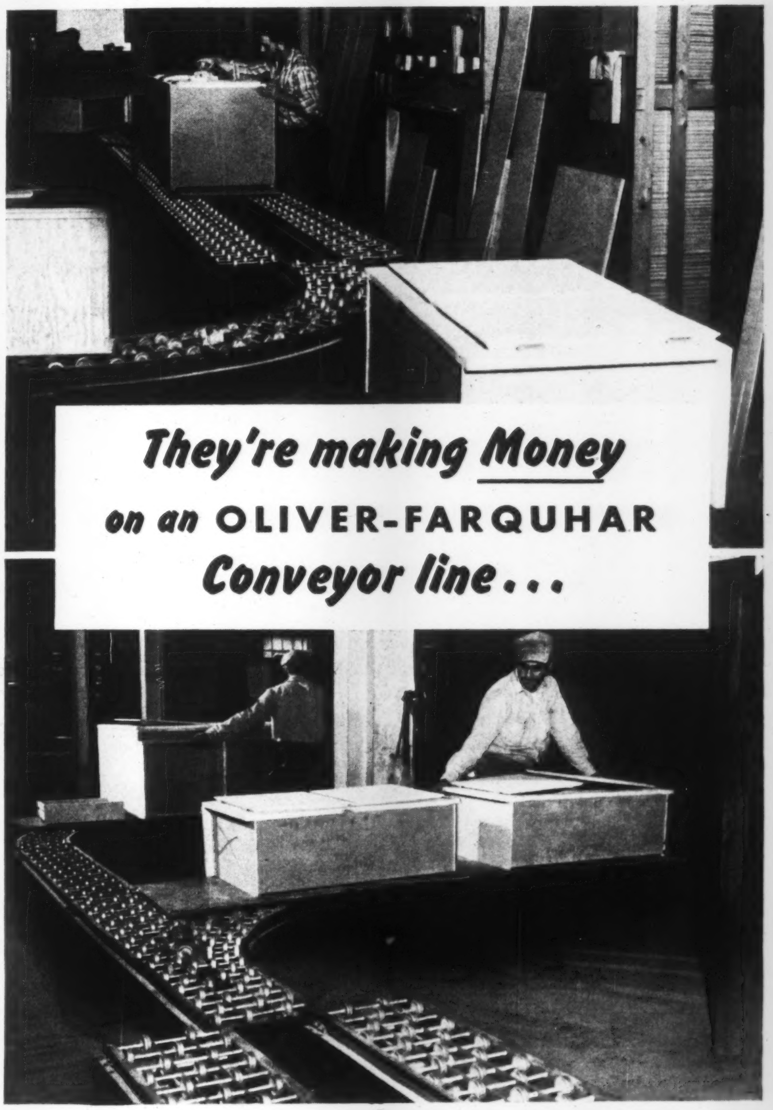
Pinpointing responsibility

Perhaps the major benefit from all this is the responsibility it places on every key man in the company. Well run, a reporting system is not a progressive buck passing of responsibility to the next level of authority. When each level adds its comments but keeps intact those sheets initialed at the level below, every man bears the responsibility for the report. The president may only read the top, terse memo prepared by his immediate staff assistant. But he may—and here's a most important thing—peruse the work of subordinates further down the line.

THE AUTHOR • Robert A. Shiff, president of Naremco (National Records Management Council), has aided many companies in reducing their paperwork and office costs. He has also directed many research projects on management methods here and abroad. One of his earlier articles, "You Needn't Drown in Paper," appeared in the October 1957 issue of DR&MI.

In this way, the reporting system becomes an excellent tool for evaluating the management abilities of people throughout the company. It doesn't pass a lot of problems up to the president. On the contrary, it bucks them down where they belong, to the people responsible for various separate functions of the organization. It keeps the president freer to handle the problems that are properly his to solve.

Company presidents often inherit the paperwork personalities of their predecessors. The new president cannot accept this for very long. He must tailor his paperwork to suit his own requirements for uniformity and brevity and his own decision-making needs. A president's paperwork load will not be lightened until he makes his wishes known. This is his real challenge, but the president is in the best position to fire the opening shot in the war against unnecessary paperwork. END



L-CO Cabinet Corporation, Shamokin, Pennsylvania, builds and finishes custom cabinets at a 500-a-day clip *right on* their Oliver-Farquhar Conveyor lines. This eliminates excessive handling, speeds production and provides necessary flexibility for a smooth, dependable work flow.

Lester Cohen, President of L-CO says: "We are in a competitive business . . . conveyors are a must with us." And it's his Oliver-Farquhar Power Belt and Gravity Conveyors that bring to his operations fast, low cost handling plus a production control that's practically automatic.

Whether you make cabinets, castings or chemicals, for instance, you can make more money by using Oliver-Farquhar Conveyors in your operations. Our experienced engineering staff will be glad to submit recommendations covering your needs. See your nearest O-F distributor or write, wire or phone our plant in York.

Send This Coupon . . .

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POWER BELT AND GRAVITY CONVEYORS

A. B. FARQUHAR DIVISION
The Oliver Corporation
Conveyor Dept. A-66, York, Penna.
Factory Branch: 618 W. Elm St., Chicago 10, Ill.

Please send me information on .
☐ "How to plan your own conveying system"
☐ Bulletin # 536 on Model 536 Power Belt Conveyors
☐ Bulletin # 801 on Gravity Conveyors

Name____________________
Company Name____________________
Address____________________
City________________State________

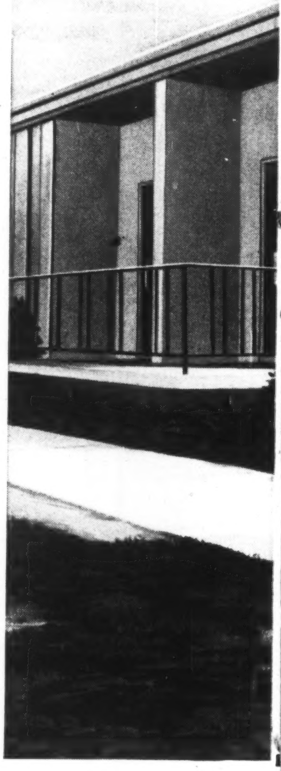
ANOTHER STRIDE BY BUTLER toward

Revolutionary new insulated curtain wall factory cut to fit Butler structurals

Someday soon, complete industrial and commercial buildings will be factory-fabricated, and assembled from standard parts on the site. The Butler system of pre-engineered buildings has already made rapid strides towards this goal.

Now Butler announces Monopanl®. . . a new factory-fabricated, factory-insulated wall panel. Monopanl creates the entire exterior wall, complete with decorative outer face, insulation and finished interior face. Each panel is factory-sized for precision fit on Butler structural systems. Monopanls are merely bolted in place. Your building is completed with incredible speed. The result – an attractive building that will compare in quality to the best traditional construction, yet will conserve your capital.

With new Monopanl, Butler now offers the most advanced pre-engineered . . . factory-fabricated system of building for commerce and industry. Get all the facts and learn about Butler financing from your nearest Butler Builder. He's listed in the Yellow Pages under "Buildings" or "Steel Buildings." Or write directly to us.



from a design by
A. Francik and
Associates, Architects

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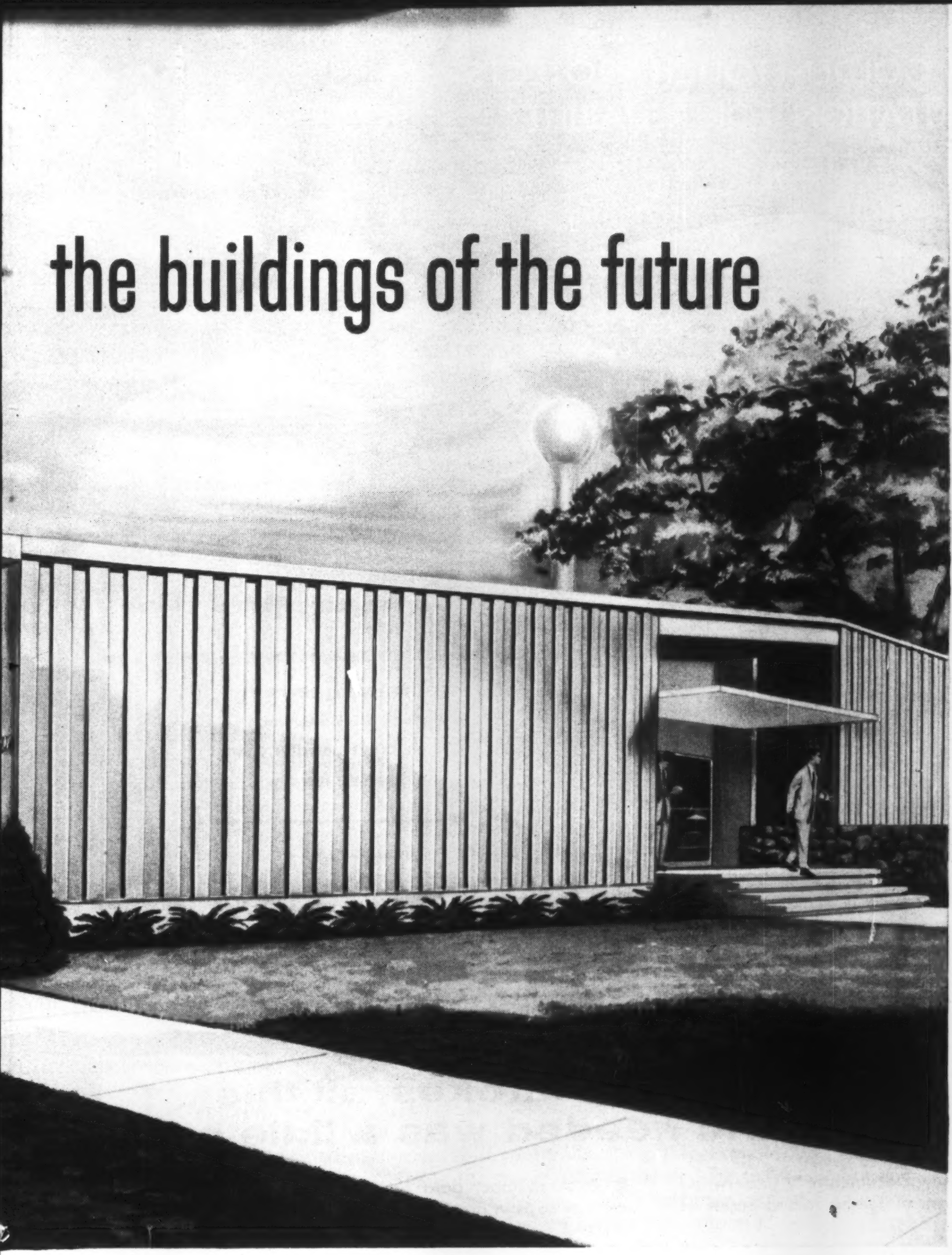
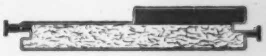
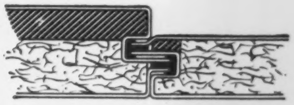


the buildings of the future

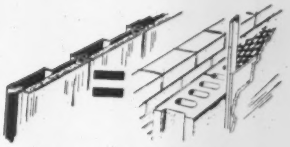
How Monopanl creates a superior wall



Each Monopanl is literally a metal plank with insulation between metal inner and outer faces. The complex configuration makes Monopanl the longest spanning . . . most rigid panel of its type.



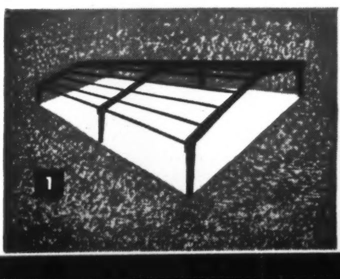
The unique double tongue and groove design creates a strong panel-to-panel joint. And double vinyl gaskets permanently seal out moisture, last the life of the building.

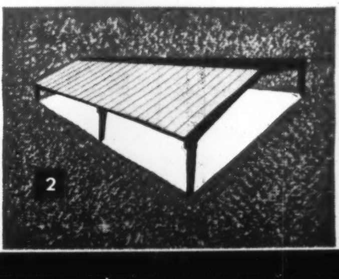


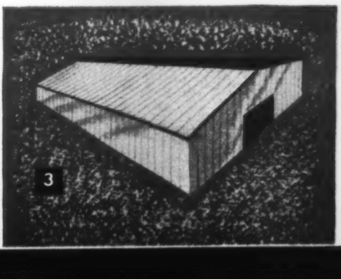
Monopanl is only 3 inches thick, yet is equal in insulating ability to a masonry wall of 4 inches of brick, 8 inches of concrete block, 1 inch of rigid insulation with air space and ½ inch of plaster.

Now, more than ever, the fastest, lowest-cost way to build well

Butler pre-engineered components fit together so perfectly that construction is little more than an assembly job. 1. Butler structurals are bolted together and erected. 2. The Butlerib roof is attached. 3. Monopanl walls are installed by simply pushing together and fastening to the structurals top and bottom. Your building is completed and you're in business, earning profits weeks, even months sooner, than ordinary construction methods would have permitted.







UNDERWOOD'S GOLDEN TOUCH PROTECTS A 64 YEAR REPUTATION FOR RELIABILITY...

This testing device gives the Underwood electric typewriter years of use in a few days.

After 25 million typing strokes, all this underwood electric needed was a little oil!

Before approving the new Documentor*, Underwood researchers packed years of typing into a series of rugged endurance tests.

What did they prove? Not a hint of motor noise no matter what the strain. Air cushioned carriage return still smooth after millions of keystrokes. Print-perfect alignment from start to finish.

In other words, like all Underwood business machines, this electric typewriter stands up!

By emphasizing, first, dependability and then simplicity, Underwood offers remarkable new products.

☆ ☆ A compact data processing "package" to cut clerical costs in any size company.

☆ ☆ A desk-size computer for virtually any firm employing over 100 persons.

☆ ☆ An all-electric adding-subtracting machine so compact it fits in your hand.

There are more, of course, and still more on the way. For simpler, less costly ways to master paperwork, call Underwood. The advice you'll receive is based on 64 years of experience. Products are backed by over 2000 expert servicemen.

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TYPEWRITERS

ADDING AND ACCOUNTING

DATA PROCESSING

SUPPLIES

ELECTRONIC CONTROLS

Business machines and systems to master your paperwork

Sales & Distribution

Manufacturers' Pricing Practices Under Attack

- ***Manufacturers abandon list prices as the FTC moves to curb fictitious pricing which is shaking consumer confidence.***
- ***New survey reveals how industry is handling the fast-growing activity of market research and the changes it's brought.***

LIKE Oscar Wilde's cynic, the American shopper in recent months has come to know the list price of everything and the value of nothing. Many shoppers still feel that they have scored a coup in getting a big discount off the list price. But an increasing number are beginning to distrust and question the real value of a product which is commonly ticketed and advertised at several times the actual selling price.

Originally, manufacturers had established retail list prices to provide merchants in the hinterland with some measure of comparison. But, as the result of severe competition between discount houses on the one hand and small retailers and department stores on the other, manufacturers were frequently pressured into highly fictitious preticketing so that substantial "savings" could be claimed.

What "list price" means

According to the Federal Trade Commission, it is a violation of law to use the term "list price" to mean anything but the usual price for which the article is sold at the retail level. The same limitation applies to other terms such as "manufacturer's suggested retail price," "catalog price," "nationally advertised price," and the like.

Some observers see the American shopper struggling in a "jungle of price confusion" while consumer mistrust rises steadily. Among these is S. Ralph Lazrus, president of the Benrus Watch Company.

Benrus is among the companies seeking to restore a sense of reality to the pricing structure. Benrus, like other companies in the industry, has been accused by the FTC of fictitious pricing. But the company's new marketing program, which has been in the works for several months, points to a distinct departure in pricing.

Smaller mark-up, more volume

The new strategy hinges on a new low-priced line of watches introduced last month. They are unusual in that the nationally advertised price of $25 will approximate the actual retail selling price. This is assured by the fact that the mark-up is virtually tamper-proof, since it runs only about 35 per cent in contrast to the usual mark-up of anywhere from 100 per cent on up. It has been these very swollen mark-ups that have led retailers to offer watches listed at $75 for the actual selling price of $25.

The smaller mark-up fits into Benrus' market strategy which calls for rapid turnover and increased sales through the traditional retail jeweler. The company faces the task of convincing the small jeweler that he can best prosper by adopting the selling policy that has worked so well for the discount house—a small mark-up on a larger volume of sales.

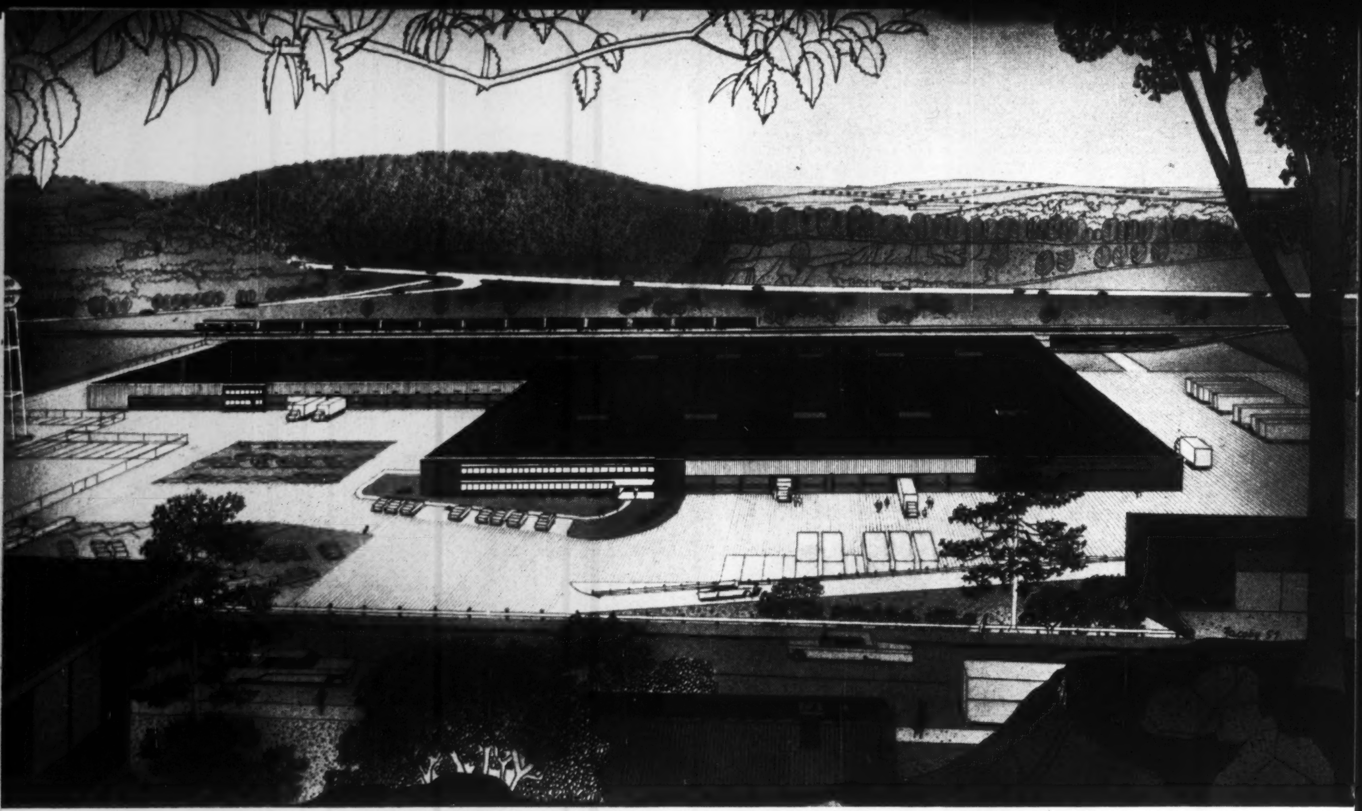
SINCE SHOWING *is part of selling, companies that market heavy equipment have a special problem. Allis-Chalmers Manufacturing Company, Milwaukee, is solving it by providing salesmen with scale models of transformers and other equipment that weighs several hundred thousand pounds.*

During the last five years, the sales of jeweled watches have dropped off about 50 per cent. And the drop has been even greater among retail jewelers as discount houses moved into this market.

President Lazrus points out that originally the actions of a few retailers drew the others into a web of harmful pricing practices. Most people involved—both manufacturers and retailers—resorted to high list prices to survive.

Although the Benrus action in swimming against the stream is certainly a risky one, it is nevertheless indicative of the actions many other companies will take as the FTC moves in to punch a hole in the unrealistic price ticket.

Nearly a third of the FTC's actions against deceptive business practices last year involved fictitious pricing of



Grand Union's new Metropolitan Distribution Center comprises 600,000 square feet of space. The 30-acre site was found with the help of the New York Central.

"Checks out O.K." said Grand Union

when the Central suggested Mt. Kisco, N.Y.

Some time ago, the Grand Union Company was looking for a suitable building site for what has turned out to be one of the largest supermarket distribution centers in the East; and which today supplies more than 100 Grand Union supermarkets in the Greater New York Area.

To help in this project, Grand Union management called upon New York Central Plant Site Consultants. Careful analysis led the Central to recommend a 30-acre site in Mt. Kisco, N. Y. This was close to the center of Grand Union's activities and right on the main line of the New York Central, convenient for both rail and highway transportation.

If you are on the lookout for plant site opportunities for your company, you'll find that New York Central can be of real help.

The Central's plant site consultants will draw up plant site appraisal reports tailored to your type of operations. If you wish, they will also expedite plant construction and enlist community co-operation—all on a confidential basis and without charge.

Whatever your special needs, New York Central stands ready to assist you.

Write to: Otto W. Pongrace, Director of Industrial Development, Dept. E, New York Central Railroad, 466 Lexington Ave., New York 17, N.Y.

Plant-Site Opportunities

Illustrated brochures available on request:

1. Albany-Troy-Schenectady
2. Ashtabula
3. Buffalo-Niagara
4. Cal-Sag (Chicago Area)
5. Chicago
6. Cleveland
7. Detroit
8. Elkhart
9. Gardenville, N.Y.
10. Hudson River Valley
11. Indianapolis
12. Lorain-Elyria-Sandusky
13. New York City Area
14. Rochester
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16. Syracuse
17. Utica
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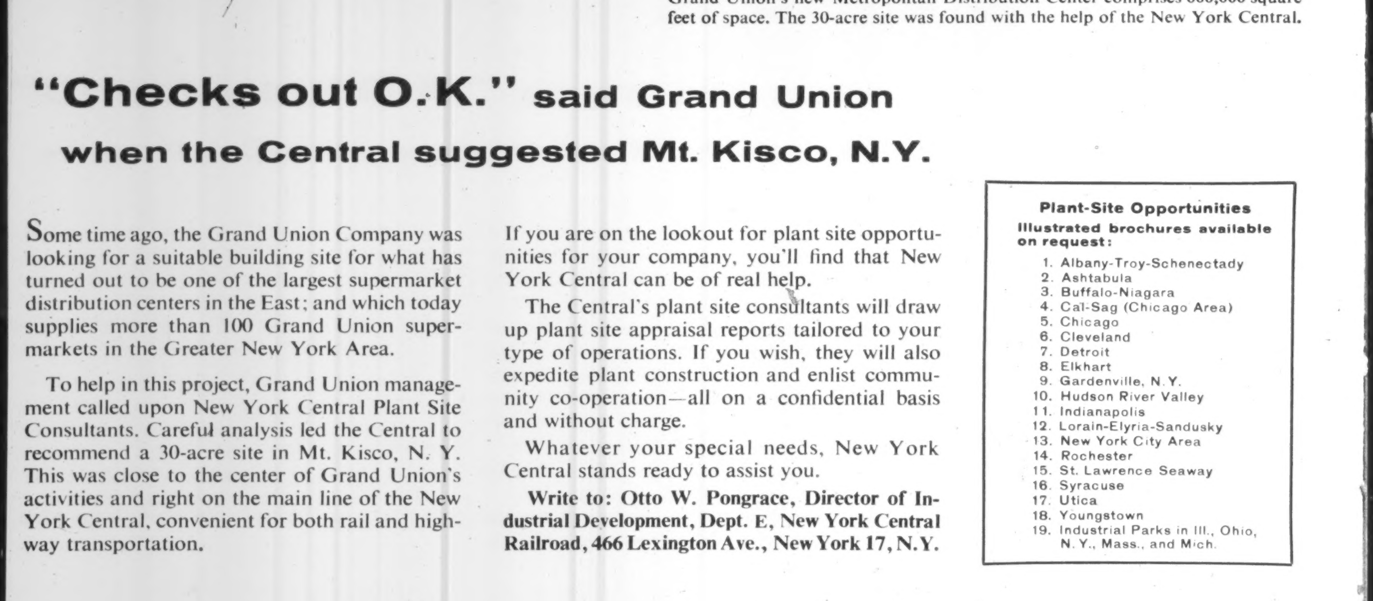
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merchandise. The Commission's total case load (for fictitious pricing and many other complaints) rose nearly 50 per cent last year.

The complaints about false pricing were directed at both retailers and manufacturers. On false pricing, the FTC says:

> This evil is particularly dangerous by reason of its insidiousness. At first glance, it would seem that a merchant commits only a trifling offense by advertising goods at a reduction from a price that is fictitiously high. Yet, the effect of such advertised "bargain prices" is to force competitors to the same kind of trickery.
>
> A leak in the dike of advertising integrity thus gains in volume, with a potential of inundating public confidence in advertised claims. Should this occur in any important degree, the effect would be dire indeed, for advertising not only buttresses all, but provides vital support for the development of new business products. In short, the Commission does not intend to permit the policing of fictitious pricing to become a "horseshoe nail for the want of which a kingdom is lost."

FTC tries persuasion

Recently, the FTC has made an unprecedented effort to guide possible offenders toward better practices. More than ever before, the FTC has stressed voluntary compliance with the laws it administers. This has involved the issuance of guides to proper pricing methods as well as the encouragement of compliance in specific instances.

The FTC reports that letters received from individuals pointing to specific flagrant instances of fictitious pricing indicate strong public support for the drive. The FTC welcomes such leads in its efforts to move against particular violators.

Among the dozens of companies that the FTC issued formal complaints against in recent months were those manufacturing or merchandising sewing machines, paints, cutlery, shop equipment, watches, and various soft goods. One company offered shop equipment for $9.95, a staggering reduction from its $79 "list" price.

If a company fails to comply voluntarily with the complaint, the FTC can move for formal action in the courts. Says FTC Executive Director Harry A. Babcock: "Business men who voluntarily give up fictitious pricing have every right to count on us for the fastest and most vigorous action we can take against the holdouts. It is my hope that we can hang enough hides to convince defiant merchants that continued price trickery won't be worth the risk involved."

So serious has become the problem of false pricing that the Association of Better Business Bureaus is conducting a nationwide survey to determine how well companies are complying with the FTC's nine-point guide and to pinpoint the weak spots. A spot check reveals both manufacturers and retailers are moving toward compliance. The outlook is one of cautious optimism, according to the association. But much is yet to be done. A spokesman for the Association points to one product that bears a goldleaf price tag of $79, while the actual sale price is $4.

One manufacturer provided dealers with their choice of several price tags for the same product, so that they could tailor their discount policies to the local competition.

The Better Business Bureaus have been mailing out thousands of copies of a pricing chart that summarizes clearly the exact recommendations of the FTC's "Guides Against Deceptive Pricing." General Electric purchased 25,000 copies for distribution to retailers and others. Like Westinghouse and Sunbeam, it also lowered list prices substantially.

Among the other organizations that have joined the FTC in opposition to fictitious pricing are the Advertising Federation of America, the American Newspaper Publishers Association, and the National Association of Broadcasters.

Says the National Better Business Bureau: "Manufacturers may attempt to rationalize inflated list prices because of trade custom, competition, dealer demand, or for some other reasons, but we consider it deceptive, dishonest, and unworthy of American business."

If the fictitious list price and the resultant advertised "savings" are eliminated in the next few years, this should have important implications for retailing in general. The channels of distribution that have relied heavily on this appeal may be hard pressed to compete with the traditional outlets that offer recognizable stable prices along with the services that shoppers desire.

Rise of Market Research

A new survey by the American Management Association documents the expansion of marketing research in industry in recent years. Of 239 surveyed manufacturers, 195 report

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For copies of plant-site brochures and information on how New York Central can help you locate a plant site, write: Mr. Otto W. Pongrace, Director of Industrial Development, Department E. New York Central Railroad, 466 Lexington Avenue, New York 17, New York.

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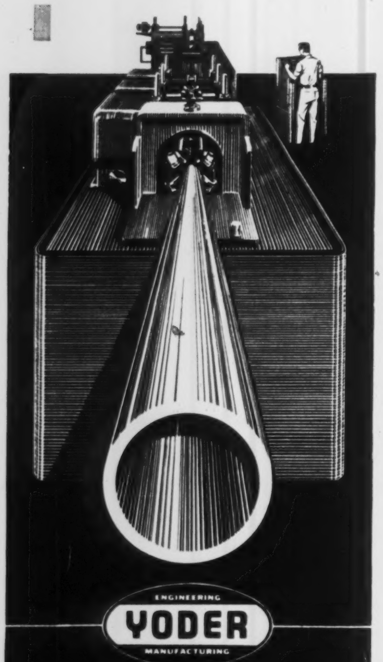

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PIPE AND TUBE MILLS
(ferrous or non-ferrous)
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ROTARY SLITTING LINES

that they carry on marketing research in one form or another. Most of these rely on the full-time efforts of an individual or department within the company, while others make it the part-time responsibility of one executive, assign the function to an outside agency, or use some combination of these methods. Many of the companies with full-time programs also rely on outside assistance. Three-fourths of the 195 companies make use of outside research agencies in one way or another.

Marketing research in this survey was defined as "the systematic, objective, and exhaustive research for and study of facts relevant to any problem in the field of marketing."

Small companies still lag

As expected, the survey shows that such programs are much more common in larger companies than in small. For instance, in companies with sales under $25 million, only 53 out of 85 have some form of marketing research. Among the 85 surveyed companies with sales over $100 million, there were 80 with marketing research programs.

In only a few short years there has been perceptible growth in marketing research activities. From 1952 to 1957, the number of organized departments in the surveyed companies nearly doubled. Less than one-fifth of the surveyed companies had organized marketing research departments before World War II. Not one of the small companies had had such an activity at that time.

Only 21 per cent of the small companies (those with sales of $25 million or less) reported that their program was a full-time function, while among medium-size companies (those with sales over $25 million and up to $100 million), the comparable figure was 66 per cent. Eighty-eight per cent of the large companies have such full-time activities.

In 70 per cent of the surveyed companies, the individual in charge of marketing research reported to top management. Most of these top executives were in charge of sales or marketing. However, in 11 per cent of the companies, the market research chief reported directly to the president.

Eighty-four of the surveyed companies were able to come up with data on their spending for market research as a percentage of gross sales.

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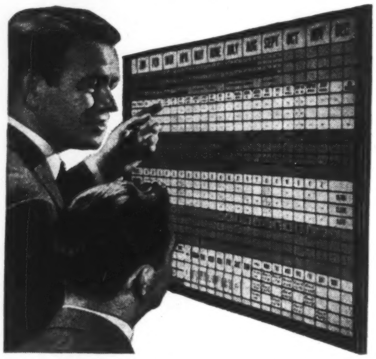

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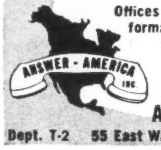

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Generally, the percentage decreases as sales increase. A minimum amount of spending is necessary to set up a functioning department.

The median figure for producers of industrial goods was 0.1 per cent, while that for consumer goods producers was 0.2 per cent. (The median is the midpoint in a range of figures listed in order of size.)

Soggy Sales

Every day management fills in more of the blanks in its knowledge of marketing. For example, it now has precise information on how much retail business drops off when the weather takes a turn for the worse. These statistical data are based on an analysis made by the National Industrial Conference Board of Weather Bureau records and daily department store sales.

The two-year study of New York stores indicates that a rainy day reduces department store sales by about 8 per cent in the city and slightly more in the suburbs. Snow also brings a bigger drop to suburban stores.

In addition, the data back up the old trade adage that "a bad day is a lost day." No evidence could be discovered that a wet weather sales slump is offset by a sudden surge of pent-up demand when the sun breaks through.

The study shows that it's the duration rather than the density of the rainfall that dampens shoppers' spirits. An hour or so of heavy downpour is less damaging to sales than half the precipitation spread over three hours' time. Three hours of drizzle usually cuts sales by about 5 per cent, while an all-day rain brings a 15 per cent reduction.

Monday business appears to withstand the rain better than other days of the week, suggesting, perhaps, that heavy Sunday newspaper promotions encourage shoppers to brave the elements.

Specialty stores seem more vulnerable to the weather than department stores, according to the study. Since department stores offer more variety, shoppers with longer shopping lists are more likely to go out in damp weather. The telephone also helps to buttress department store sales.

But even soggy days have their bright side. Sales in umbrella departments are three times as heavy as when the skies are blue. —T.K.

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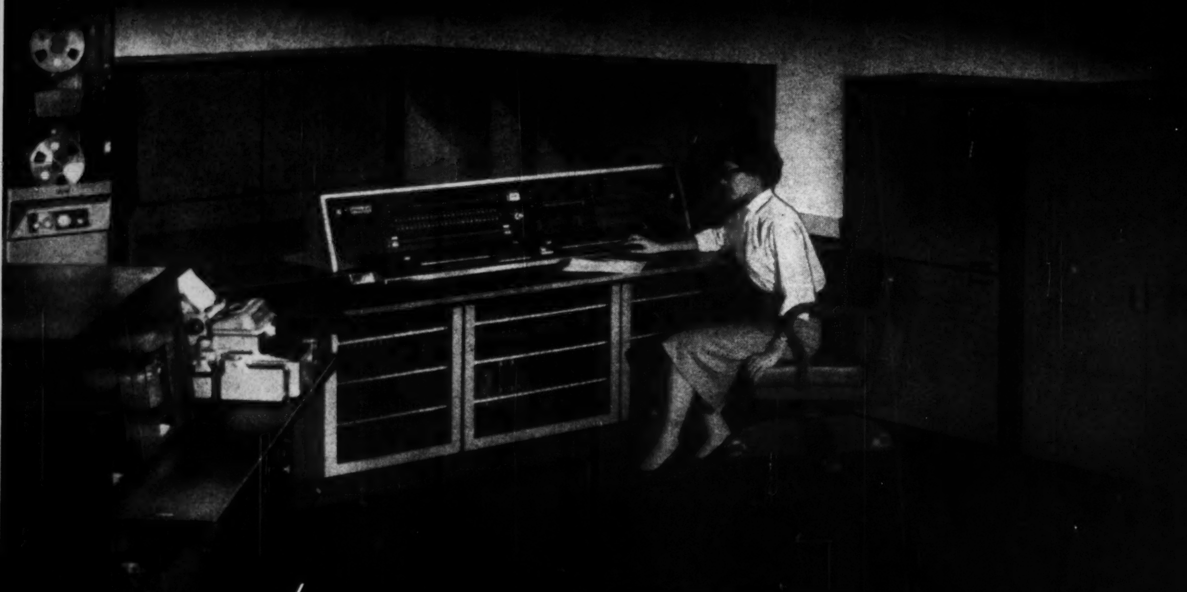

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Aircraft Management Crosses New Frontiers

KENNERD W. TIBBITTS

The jet age is forcing the aircraft industry to adopt new management approaches as it struggles with unprecedented problems of excess capacity, marketing, and technological obsolescence.

JET AIRLINERS streaking across the continent in a scant five hours are spectacular proof of the progress the aircraft industry has made in the last decade. But they also symbolize the problems facing the industry as it strives to keep pace with space age innovations.

Today the aircraft manufacturers can look back on a decade of remarkable growth in which they delivered $50 billion worth of planes and missiles and invested $1 billion in additional plants, machinery, and research facilities. The period ended with unfilled orders totalling almost $12 billion.

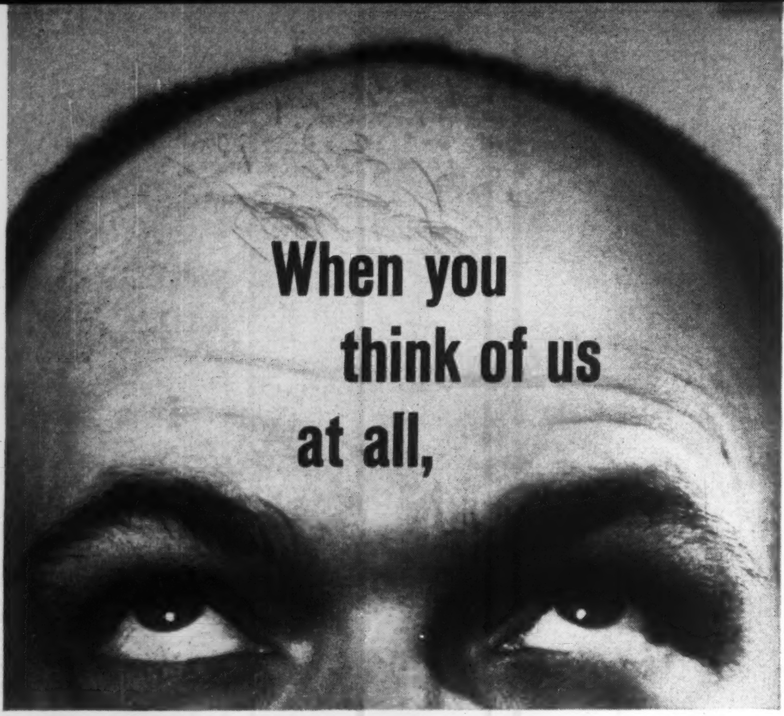
Ten years ago the outlook was bleak. Unfilled orders were a meager $2 billion. Losses in the two preceding years had been almost $50 million. Manufacturing facilities far exceeded foreseeable demand. New commercial transport planes went begging while the airlines bought up converted military aircraft at bargain prices. In a world at peace, fears were voiced that ebbing defense orders would not be sufficient to sustain the industry.

The reasons for this surprising reversal are well known—soaring defense expenditures, accelerated research which has produced the missile and the satellite and which is rapidly forcing the obsolescence of existing aircraft, and, finally, the increase in cargo and passenger air traffic.

This sudden growth and the radical changes in product have forced the aircraft industry to adopt new management practices and more flexible corporate policies which could perhaps be applied by other industries encountering similar extensive changes in products and markets.

For most manufacturing concerns, creation of markets to absorb new and improved products is management's toughest job. The ideal condition is one in which a satisfactory rate of growth is assured by orderly obsolescence and a steady increase in population. However, in the aircraft industry, the unique relationship between military and commercial needs has made this impossible. Military preparedness demands an incessant effort to develop aircraft that will fly higher, faster, farther. No compromise with progress is admissible. But competition for commercial orders dictates that improvements stemming from military research be incorporated in passenger transports quickly.

For example, during the years of peace from 1930 to 1939, aircraft cruising speed was upped 100 miles per hour. But in the following ten years when research was pushed to meet military requirements, the gain was 150 miles per hour. Even this rapid progress is overshadowed, how-



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ever, by what has happened in the first eight years of this decade. The new jet passenger planes, flying a smooth ten miles a minute, have added 225 miles per hour to the cruising speed. And since the seating capacity has increased about 100 per cent, each of the new planes does the work of four of its predecessors.

These fast-paced developments have raised some knotty problems. Since it's not expected that additional traffic will be generated rapidly enough to fill all the new planes which will enter service in the next two years, the airlines must dispose of much of their present equipment long before its usefulness has ended.

Jet-age financing problems

Traditionally, depreciation charges and earnings have supplied the bulk of funds for the purchase of new equipment. Retirement of planes before they have been fully depreciated and their earning capacity exhausted leaves a gap in financing the new planes, especially since they cost so much more than the old models they displace. Although the airlines have been able to supplement their funds with generous lines of credit, borrowing facilities have not always been adequate.

Consequently, selling has taken on new dimensions for the aircraft manufacturer. Customers are being given trade-in allowances on used planes, but, except for the more recent types such as DC-6's and Constellations, the old aircraft have limited resale possibilities. The builders hope to be able to lease these planes to cargo carriers for periods long enough to recover their investment through rental income. A commodity exchange has recently been formed to facilitate the sale of surplus planes.

In some instances, aircraft companies are assuming additional risks to make it possible for customers to take delivery on the new planes. For example, some manufacturers have guaranteed a portion of the loans needed to finance purchases by airlines. As a result, the aircraft company credit manager has had to become well versed in the customer's business in order to help him work out projections, plan financing, and negotiate loans.

Manufacturers in other industries also are finding that their financial and credit resources can be used as a sales tool to broaden their markets. As a protection against obsolescence, some customers prefer to lease rather than buy equipment. When improved models are introduced, the lessee can acquire them without worrying about how to dispose of the old equipment —one reason perhaps why more concerns have not taken advantage of the opportunity to buy IBM equipment which was formerly available for rental only. But for other companies, especially in growth industries, lease or buy is a question of money.

A plan developed by Warner and Swasey of Cleveland for leasing its machine tools and textile machinery has yielded significant results. Here is the company's view of the new plan:

> Our machines, their quality and workmanship, their excellence of construction are a means to an end—namely, more net profit for the customers. Our relationship with our customers is based on that concept. We have a real interest in their success and growth over the years.
>
> Through its terms of payment, the company endeavors to give its customers the greatest possible opportunity for putting modern, more productive equipment to work. In addition to regular terms of sale, the company offers deferred payment plans, and, for those who can not or do not choose to purchase, it offers a plan under which they may lease machine tools or textile equipment.

More trouble ahead?

The rapid change in technology also has forced the aircraft manufacturer to run the risk of creating what shortly may turn out to be excess plant capacity — something which could prove to be a burden on future earnings. In 1957 alone, the industry spent $300 million for additional plant, engineering, and research installations. There was no alternative, because output of manned aircraft can't be cut back until the missiles which will replace them are in quantity production. Many of the facilities used to produce missiles are different from those used in making airplanes, and because missile testing is dangerous, the test ranges must be built far from population centers.

This problem was clearly stated by Major General David H. Baker, an Air Force procurement director, who predicted in May 1957 that the production of air weapons, then at 5 million pounds of airframes and missile frames a month, would drop to 2.5 million pounds a month by 1962.

The experiences of the Martin Company are a good case in point. Airplane production, centered in

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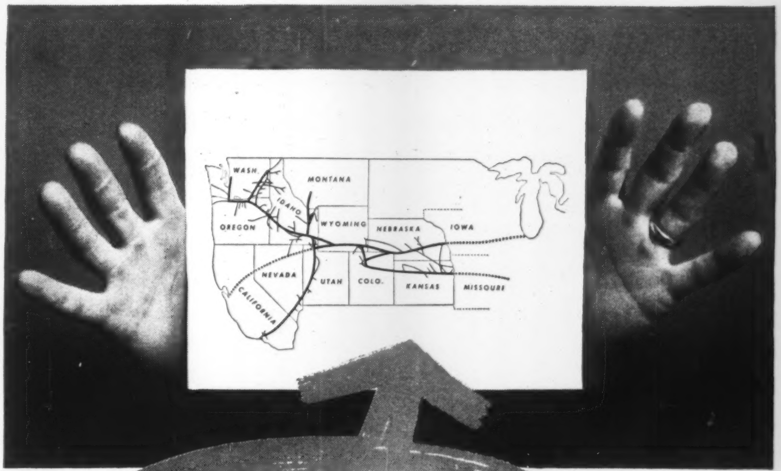

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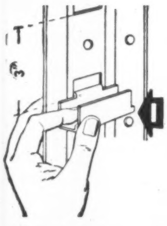

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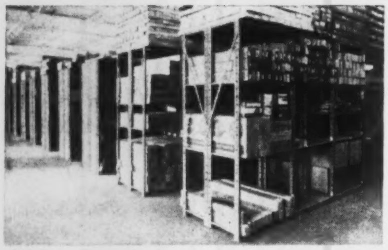

No matter how large or small your company's shelving needs may be, you should have the best — not only in rugged quality, but in operating features too. Borroughs Steel Shelving saves money and man-hours from the very start of its installation. As an example . . Borroughs' exclusive Shelf Support Brackets make the installation and rearranging of Borroughs shelves a finger-tip operation . . except for the top shelf (2 bolts and 2 nuts), no other bolts or nuts are required for shelves . . and no special tools are needed to assemble units . . each individual unit is complete in itself . . any unit or shelf can be moved independently. And that's not all . . many more convincing facts await your inquiry.

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Maryland, where Martin owns 3.3 million square feet and uses 2 million more in buildings owned by the Government, dropped from $498 million in 1953 to $297 million in 1957. But the company has invested more than $18 million in missile making facilities near Denver and more than $15 million in missile and electronics facilities near Orlando, Fla., all within the past three years. As the company puts it: "More and more, old-style facilities for the production of defense weapons are becoming surplus. New facilities are needed, not to add floor space, but to achieve added flexibility in applying new methods to weapon system design and production."

Too much capacity

What's to be done with the excess plants?

To an extent, they can be used for subcontracting within the industry. Several airframe concerns already are making subassemblies for competitors. But as output dwindles, this is at best a temporary measure. More prevalent is the tendency to become as self-sufficient as possible—to make more of the components formerly purchased from outside suppliers. Today, for example, almost every aircraft factory is producing a wide variety of electronic gear. Some are intensifying the effort to make non-aircraft products. Computers, aluminum boats and truck bodies, turbine engines for trucks, nuclear reactors, and industrial control devices are some of the items now being made.

This problem is not confined to the aircraft makers. Manufacturers in other industries also are haunted by the spectre of the surplus plants which might result from radical product changes. Automobile manufacturers have been hesitant to plunge into volume production of small cars because, initially, duplicate facilities would be required. Strong acceptance of the smaller models, it is feared, might ultimately cut so deeply into demand for standard models that present factories no longer could be fully utilized. American Motors solved this problem only by converting completely to the Rambler, and, even so, the transition was long and costly.

Just how large an airplane company should be today is a puzzling question. There is no easy answer. Sales of the smallest producer of military planes in 1958 were greater than the volume transacted by the whole industry only twenty years ago. Even so, this may not be enough.

Because of the complexity of the current generation of airplanes and their clamorous offspring, pilotless and ballistic missiles, the aircraft manufacturers have had to extend the range of their technical skills to embrace almost the entire field of science. This has involved some far-reaching changes in the management of engineering resources and in relationships with suppliers.

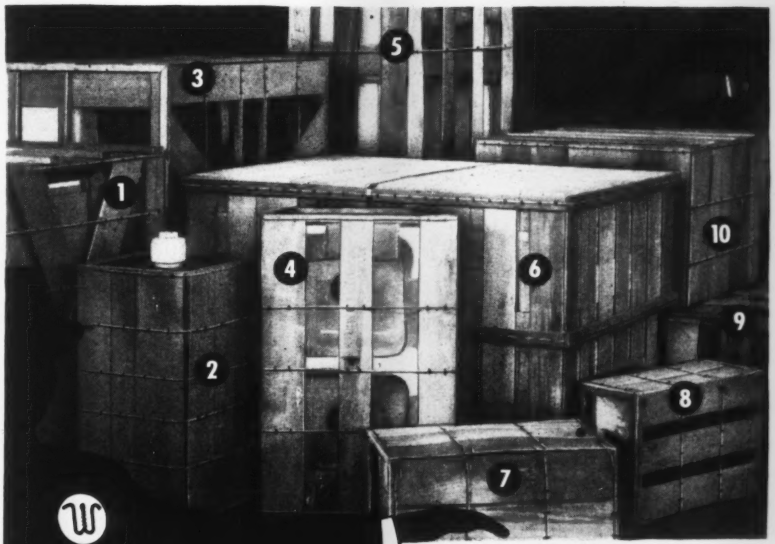
Shift to the "systems concept"

Until quite recently, bombers and fighter planes consisted of the frame built in the aircraft plant and the fairly well standardized instruments, communication, and navigation equipment made by subcontractors. A lot of this equipment was procured directly by the Government and turned over to the prime contractor. Once the production model had been approved, the maker's responsibility hardly extended beyond the hangar doors.

All that has been changed by the relatively new "systems concept." Under this arrangement, the manufacturer who functions as the system manager undertakes the entire design, establishes the performance specifications for the components, and selects and closely supervises the subcontractors. Also, since the weapon is so complicated, the missile manufacturer supervises erection of the launching installations and the assembly of communication and guidance systems and instructs the military specialists in their use.

The aircraft manufacturer assigns teams with expert knowledge of design, manufacture, and cost control to work in suppliers' plants for the duration of a project. This daily interchange of experience makes it possible for simplification of design, resolution of manufacturing problems, and reduction in costs to be evaluated with a minimum of delay.

The aircraft companies always have budgeted liberal amounts for engineering, but this money has been spent largely in applying the basic discoveries flowing from outside laboratories. This approach is no longer either prudent or feasible, since space age vehicles urgently demand new materials and new methods of fabricating them. Accordingly, several of the larger aircraft concerns have set up a division to pioneer in the field of



Learn how your plant, too, can SAVE ON PACKAGING

...meet the man from Wirebound

What you see above are a few typical containers used by many of the leading firms that have joined the swing to Wirebounds. Specifically, these Wirebounds are used to ship ❶ automatic washers, ❷ carboys, ❸ unit heaters, ❹ sinks, ❺ bathtubs, ❻ fire brick, ❼ meat, ❽ water meters, ❾ electric motors, and ❿ plastic pellets.

Despite this diversity, all these containers have several points in common. First, each was custom engineered for the product it carries. Each combines the desired protection . . . with maximum savings in time, labor, weight and container costs. *And each one began with a visit from the nearby* Man from Wirebound.

Why not have the Man from Wirebound pay *your* plant a visit? A qualified packaging engineer, he'll be happy to study your methods . . . offer money-saving suggestions . . . and even submit free sample Wirebounds for testing. There's no obligation. Use the handy coupon below.

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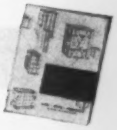

pure research. Such ventures require courage and involve risk. Some of the funds thus expended can't be recovered as a charge against current production, nor is it possible to tell whether they will eventually pay off in production contracts.

Pooling research effort

For the small and medium-size companies, this creates a serious problem. Their earnings simply are not large enough to warrant the risks involved. A possible solution is to merge with a company doing research in kindred fields. Northrop Corp. has been exploring this possibility. Cessna Aircraft, manufacturer of executive and light military planes, is now consolidating with Aircraft Radio Corp., long prominent in communication.

Others are endeavoring to pool resources. Republic Aviation, Grumman, and Fairchild Engine and Airplane—all operating on Long Island, N.Y.—recently announced they would share one another's research facilities.

Other industries find themselves in similar straits because of the need for larger research programs. Emerson Electric Manufacturing Company recently announced: "Expanded research and development programs are the company's theme for 1959. It is obvious that the rate of product obsolescence and the introduction of new and better things will be greatly accelerated in the future."

Decentralization and control

All these changes have posed some difficult organization problems for the aircraft industry. Widely dispersed plants, the larger scope of engineering and research activity, and the emphasis on cost reduction have dictated the need for decentralization, an experience shared by many other lines of business.

Management development programs have been stepped up. There has been a sharper division of line and staff authority and assignment of very clear-cut responsibility for long-range planning. At the same time, it has been necessary to preserve the flexibility of the centralized organization. When large contracts are cancelled or cut back sharply, management must be able to adjust quickly, especially in reassigning engineers to other projects.

Achieving effective decentralization without sacrificing flexibility is the complicated task facing management in almost every industry today. END

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***until*, you read this**

Greater profits go to companies that have more competitive advantages. Advance the competitive strength of your business by locating your new plant at Baltimore. Let us make a confidential Plant Location Study to show you Baltimore Competitive Advantages for your particular business. Write, wire or phone our Industrial Development Service, 1106 Lexington Building, Baltimore 3, Maryland.

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MOBILE OFFICE Units are low in cost . . . Built to your specifications . . . There's a unit to fill your every need.

Because MOBILE OFFICE Units are easy to move from job to job, they enable you to have office, engineering, paymaster and other facilities at every point of your operation.

These units are economical, time saving, rugged and durable. They are self-containing, and are available with air-conditioning, and can be fitted to your specifications.

MOBILE OFFICES are being used by major contractors and other major businesses throughout the United States. In every case they have proven their worth.

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in the office

Ozalith offset plates mean no negatives, no trays, no darkroom. You process positive working paper plates in 90 seconds—an aluminum plate in less than 2 minutes! Send for folder No. 00-00. Ozalid Division, General Aniline & Film Corp., Johnson City, N. Y.

OZALID COPYING can replace time-consuming, money-wasting hand-copying, and retyping of reports, orders, invoices, and drawings in *every* department of your business. • Put the original in your Ozalid machine; seconds later out come clear, dry copies. No retyping, no proofreading, no fuss! • The desk-top Ozamatic, shown above, turns out up to 1,000 copies of 8½"x 11" size in an hour, at only a penny a copy. • There's a *full line* of Ozalid products for every copying need. • Call your local Ozalid representative. Or write: Ozalid Division, General Aniline & Film Corp., Johnson City, N. Y.

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A Division of General Aniline & Film Corp.; In Canada, Hughes-Owens Co., Ltd., Montreal

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. . . WHERE THERE'S A GROWTH SITE FOR YOUR PLANT

The world's largest cellophane plant has grown up in Virginia. Nearly a third of the nation's synthetic fibers are made here. America's largest nitrogen fixation plant is located in the state.

For, while U. S. chemical output has grown 528% in the past two decades, Virginia's has grown even faster . . . up 630%.

Behind that growth are factors that can profit *your* industry and *your* plant. Mild climate . . . conservative government . . . low-cost fuel . . . abundant industrial water . . . top land, sea and air transport. And a record of labor management harmony *five times better* than the national average!

Plan now to enjoy Southern production advantages *as close as you can get them* to northeast and mid-west markets. For confidential site-finding help, write, telegraph or telephone . . .

Virginia Dept. of Conservation and Economic Development
DIVISION OF INDUSTRIAL DEVELOPMENT
State Office Building, Richmond, Va. Telephone: MIlton 4-4111 Ext. 2255

SATISFACTORY TRANSFER: *Four years ago, this reactor was producing dimethyl hydantoin formaldehyde resin for the giant Du Pont company. Among other uses, this chemical goes into aerosol hair sprays. When demand dropped below Du Pont's breakeven point, company executives began to look for a small company to take over this specialty. Glyco Chemical Corp., New York, was their choice. Along with this reactor, now located in Glyco's Williamsport, Pa., plant, complete customer lists and technical instructions were acquired. Glyco not only made a profit at the reduced sales volume, but found new uses that are generating added profitable sales volume.*

Abandoning Marginal Products Profitably

Many companies fear they will lose face or offend customers by dropping profitless products. Here's a graceful—and profitable—alternative.

IN AN ERA of rapidly expanding product lines and increased diversification through new product development, no company can maintain a 100 per cent batting average on new products. The market for some new products just never develops. In other cases, an unexpected technological breakthrough sharply cuts present or future markets, or competitive products grab off most of the market.

When any of these factors or a combination of them sets in, production declines to an unprofitable or nuisance level. Yet the product cannot be dropped for fear of antagonizing good customers.

The simplest way to save the situation—and the investment—is to turn the product over to some other company that can make a profit on the lower volume, assuming demand has settled down to some steady volume and has not disappeared altogether. This practice has been common in the chemical industry for many years, and other industries might well find it feasible.

Generally, it is the larger companies that turn marginal products over to smaller companies. The smaller companies can make money on the items because they enjoy a lower overhead; because they design a smaller, lower-capital-investment plant which can be run at profitable full capacity; or because they substitute a continuous for a batch process.

Donor makes a profit

Frequently, the production machinery is part of the deal. The small company receives a fully engineered process, while the donor company generally gets a better price for the machinery than it could on the used-equipment market. Sometimes separation of the production machinery from a vast complex of plants and removal to a small plant with nearby receiving and shipping docks is enough to make the process pay.

However, the production machinery may be retained. In fact, this requirement may motivate the whole deal because the big company wants to free the machinery for more effective use on a more profitable product.

Usually, lists of customers and sales contacts are turned over to the smaller company. However, some companies have retained distribution of the products, buying the output from a smaller company at a price below former production costs.

The advantages of either arrangement to the smaller manufacturer are obvious. Heavy research, process engineering, and market development costs are avoided. If the product is turned over lock, stock, and barrel, the larger company eventually gains

Skin disease
B. Tough soil removal
B.

SURVEY REVEALS INDUSTRY'S NO. 2 SKIN HYGIENE PROBLEM: TOUGH SOIL REMOVAL

Here's help on the problem from SBS

A recent survey of 2,177 major plants pinpoints industry's most serious skin hygiene problems.

1. *SKIN DISEASE and*
2. *REMOVAL OF TOUGH SOILS*

Naturally, the second contributes to the first. Because tough soils invariably lead to the use of harsh cleaners and solvents when proper cleaners aren't handy. Heavy greases, resins, tars, and similar soils resist ordinary skin cleaners, and when the worker finds he can't remove them, he resorts to solvents or other materials that injure his skin. Result: skin disease, poor employee relations, cost and waste.

What can you do? Ask an SBS representative to show you "Operation Pinpoint", 10 minute sound slide digest of the national survey, and you'll see how *a planned corrective program* can solve these skin hygiene problems. Because SBS produces a *complete range of cleansers*, he can suggest the right cleanser for each job. For the safest answer to tough soils, write today . . . Dept. 2-D.

the washword of industry

SBS
sugar beet products co.

SAGINAW, MICH. • Los Angeles, Calif. • Newark, N. J
CANADA: Chemical By-Products, Ltd., Toronto, Ontario

a small income based on royalties.

Among the companies that have successfully made such deals are Du Pont and Glyco Chemical Corp., New York; American Cyanamid Company, New York, and Sigma Chemical Corp., St. Louis; and Wyandotte (Mich.) Chemical Corp. and Pedlow-Nease Chemical Company, Inc., Lock Haven, Pa.

Although the initiative in such a deal can come from either side, logically the bigger company should start the process. Rather than wait for a product to become profitless or even a loss, retirement should be considered whenever the product falls below a minimum profit standard.

In this respect, manufacturing companies should follow the practices of supermarkets, says Carl Pacifico, general manager of American Alcolac Company, Baltimore. In supermarkets, a profit standard is established for every square foot of shelf space. If a given item does not meet the standard, it is dropped, *even though it is still profitable.*

Similarly, manufacturing companies can establish profit standards for products based on a combination of sales volume, factory space occupied, capital investment, and so on. When a product falls below the standard, abandonment to another company can be considered. Since the principal obstacle to abandonment is often fear of offending customers, this technique is particularly valuable because customer needs are met.

Protecting the customers

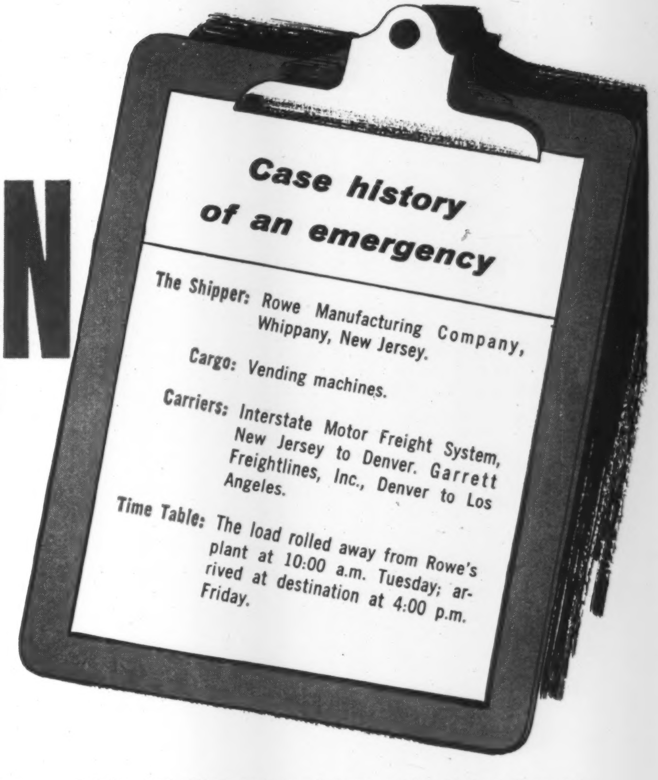
There are sensible reasons why large companies abandon products only to smaller companies with whom they have had long and friendly relations. First, negotiations must be kept confidential because if the abandoning company's customers hear about the contemplated switch, they might seek a new supplier. Secondly, there must be assurance that the smaller concern will maintain quality.

Fear of losing face is one important reason why many companies may not have practiced profitable abandonment in the past, says Pacifico. In prosperous times, this attitude may have been tolerable. But in the coming decade of tight profit margins, any weakness will show up for all to see—in the profit and loss statement. And that's where management can really lose face.

—MELVIN MANDELL

THIRD AFTERNOON DELIVERY

Coast to Coast!



Case history of an emergency

The Shipper: Rowe Manufacturing Company, Whippany, New Jersey.

Cargo: Vending machines.

Carriers: Interstate Motor Freight System, New Jersey to Denver. Garrett Freightlines, Inc., Denver to Los Angeles.

Time Table: The load rolled away from Rowe's plant at 10:00 a.m. Tuesday; arrived at destination at 4:00 p.m. Friday.

When the chips are down and you urgently need exceptionally fast service, you can get it from Interstate System just like Rowe Manufacturing did. Here's how that traffic was handled:

As the shipment left Rowe's plant, Interstate's long-line private telephones were humming, arranging for power changes at Bedford, Pa., Norwalk, Ohio and Chicago.

Rowe's load went through the Chicago gateway without delay -- in and out of the city in less than four hours.

While the shipment sped across the plains, Garrett Freightlines, Interstate's West Coast carrier, was alerted. The interchange was made smoothly at Denver, and the shipment sailed through the mountains to Los Angeles.

FOR YOU, TOO: For swift, safe, dependable service to big cities and small towns — either coast-to-coast or short distance — use Interstate System.

Your local Interstate System man is listed in the Yellow Pages. Give him a call!

Three reasons why Interstate moves so fast!

IN AND OUT OF CHICAGO IN LESS THAN 4 HOURS. Interstate System's new terminal at Cicero, Ill., eliminates metropolitan bottlenecks. Departures can be scheduled at least every 4 hours.

MODERN EQUIPMENT. Up-to-date rolling stock like this new 40-foot trailer and diesel tractor are in service throughout the Interstate System.

FULL-TIME TRANSPORTATION CONTROL. Private long-line telephone circuits maintain 24-hour contact with all terminals in the system, enabling dispatchers to pinpoint shipments in minutes.

MORE THAN A TRUCK LINE...

A TRANSPORTATION SYSTEM

INTERSTATE
MOTOR FREIGHT
SYSTEM

GRAND RAPIDS, MICHIGAN

A MESSAGE FOR MEN IN MANAGEMENT

What goes on behind this sign?

A search for better performance and lower cost operation for your car and truck fleets

WARNING
RADIO ACTIVE

Warning signs around one section of Standard Oil's test laboratory are there because radioactive engine parts are installed in a test engine. Wear of these parts is noted by tracing radioactive metal that wears off. This test has shown that the right gasoline can reduce engine wear by as much as 40%. The test finds out in two hours what formerly took 200.

This is just one test in Standard's never-ending search for ways to: prevent vapor lock, improve cold engine starting, reduce cold engine wear, improve fuel volatility, get faster warm-up, eliminate knock and improve hot engine starting. And today, STANDARD RED CROWN Gasoline has an octane rating that surpasses premiums of just a few years ago.

Additives that have come from Standard's research, when blended into Standard gasolines, provide real benefits. They protect against rust, permit cleaner burning, prevent gas-line freeze-up and carburetor icing (in cold weather), inhibit oxidation, prevent knock, deactivate metal. Laboratory findings are proved in field tests on all types of equipment under all driving conditions.

If your company operates a fleet—trucks, buses, construction equipment or passenger cars—know what's happening at the Standard Oil sign. Get the full story from the Standard Oil automotive specialist near you in any of the 15 Midwest or Rocky Mountain states. Or write **Standard Oil Company (Indiana), 910 South Michigan Avenue, Chicago 80, Illinois.**

You expect more from STANDARD *and you get it!*

IDEAS at work

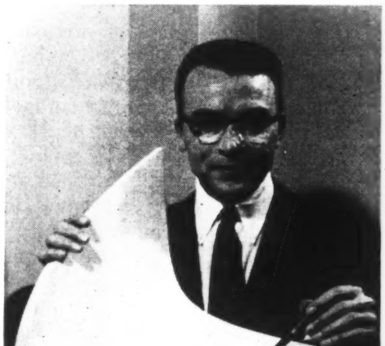
Idled workers spread good will

When the Barbasol Company, manufacturer of shaving cream, recently moved from its old plant in Indianapolis to a new building several blocks away, it found a unique way of keeping all of its employees working during the moving operations.

The male employees and a number of women workers helped with the move. But seventeen women assembly-line employees faced temporary unemployment until the company hit upon the idea of enlisting the women as good will ambassadors.

The women, dressed in their Sunday best, toured drug stores and supermarkets "talking up" Barbasol products. Retailers gladly lent a helping hand (see photo above), and no one was taken off the payroll.

A model formula



◀ A three-dimensional plastic model has been developed by the Kaiser Aluminum & Chemical Corp.'s purchasing staff as a visual demonstration of the Economic Order Quantity mathematical formula used in inventory management.

The EDQ system permits materials to be purchased on the basis of their annual usage and unit price. The effect of the system is to increase the quantity ordered on low-value items. Application of the formula can cut both total inventory costs and paperwork by 20 per cent.

The idea for the model (see photo at left) was developed by Lawrence W. Heinle, Kaiser Aluminum purchasing analyst. The top surface of the model represents the proper quantity to purchase. This varies, depending on annual usage and unit price. The purchase order cost and interest cost are assumed to be constant. Using the model, Heinle has programed the formula on a computer to obtain simplified tables which can be used by purchasing personnel to make quick minimum cost decisions.

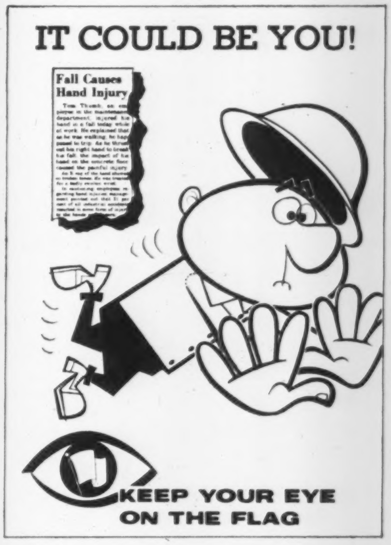
Heinle also is developing a second model which will show the sales-price-inventory dimension. This will be a 3-D "break-even chart" which will show marketing and accounting managers various combinations of price, sales, and inventory turnover required for equal profits.

The Economic Order Quantity model is being used by several West Coast aircraft companies and by the American Management Association. It is made by Productioneering, Inc., 383 North Foothill, Pasadena, Calif.

Safety program grows

A new safety slogan and a new symbol incorporating the familiar yellow flag are being introduced in U. S. Steel plants this year as a continuation of an unusually successful accident prevention program that has been adopted by more than 500 other companies in the United States, Canada, Hawaii, Australia, England, and the Netherlands.

The program was launched two years ago to emphasize that knowledge of safety is not enough to insure freedom from injury—that a lack of safety awareness is the major cause of accidents.



More than 500 prints of the film "Knowing's Not Enough" have been

WATER
is good to swim in . . .

grand
to fish in . . .

wonderful
for boats . . .

but...

for some industries
WATER, pure and plentiful, is the essential ingredient for making money.

That's the kind of water which makes a plant site profitable. That's the kind of water waiting for your new plant in

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Phone Atlantic City 4-3338
G. Raymond Wood, Director

☐ Yes, our plant needs water for a profitable operation. Send full details on water in Southern New Jersey.
☐ Send latest site-map.

Name____________________
Company___________________
Address___________________

circulated outside U. S. Steel. A sound track in French is being prepared to provide wider distribution of the film overseas.

U. S. Steel's 1959 slogan, "Keep Your Eye on the Flag," and the new symbol (see photo on page 93) will be supplemented by a bi-weekly safety campaign aimed at improving safety in two particular areas.

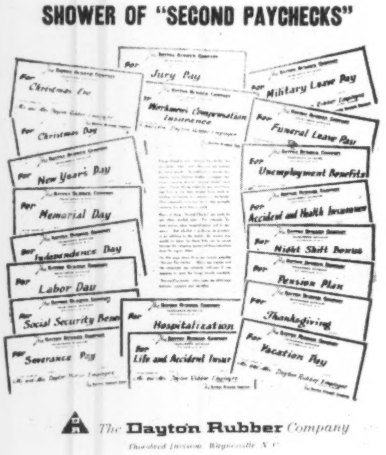
One of these, injuries to hands and fingers, will be the subject of a poster series called "It Could Be You." This series introduces a fictitious safety character, Tom Thumb, a maintenance employee who frequently suffers hand injuries because of lack of safety consciousness.

Appearing alternately on a bi-weekly schedule will be another series of posters calling attention to injuries occurring during the movement of loads on overhead cranes.

The "second" paycheck

It pays to advertise the value of the employee's "invisible paycheck," the Dayton Rubber Company believes. The company's Thorobred Division at Waynesville, N. C., took a full page ad (see photo below) in the local newspaper for a picture spread of company checks made out for twenty different employee fringe benefits provided by the company.

Under the headline, "Shower of 'Second Paychecks,'" brief copy in the center of the picture spread points out that it is easy to overlook the value of the extra benefits such as paid holidays and insurance payments which the company provides for its workers in addition to their regular "visible" paychecks.



SHOWER OF "SECOND PAYCHECKS"

For Christmas Eve
For Jury Pay
For Military Leave Pay
For Workmen's Compensation Insurance
For Christmas Day
For Funeral Leave Pay
For Unemployment Benefits
For New Year's Day
For Memorial Day
For Accident and Health Insurance
For Independence Day
For Night Shift Bonus
For Labor Day
For Pension Plan
For Thanksgiving
For Social Security Benefits
For Hospitalization
For Severance Pay
For Life and Accident Insurance
For Vacation Pay

The Dayton Rubber Company
Thorobred Division Waynesville, N.C.

Radio speeds materials

A two-way radio communication system now in operation at the Ford Company's Mahwah, N. J., assembly plant permits urgent stock requirements to be transmitted quickly from the materials handling department office to the general foreman riding his radio-equipped speed truck. The foreman then locates the material needed and spots it for easy pick-up by a radio-equipped tug tow truck or fork lift truck (see photo above).

Plant comes to buyers

More than 8,000 purchasing agents, dealers, and key office-supply executives gathered in twelve cities across the United States and Canada recently to view on live, closed-circuit television a series of value analyses tests put on by the Eagle Pencil Company.

The large-screen telecast originated from Eagle's new plant in Danbury, Conn. The tests compared point strength, durability, and smoothness of Eagle products against those of leading competitors.

The viewers "toured" the plant and its research laboratory without losing valuable time travelling to Danbury.

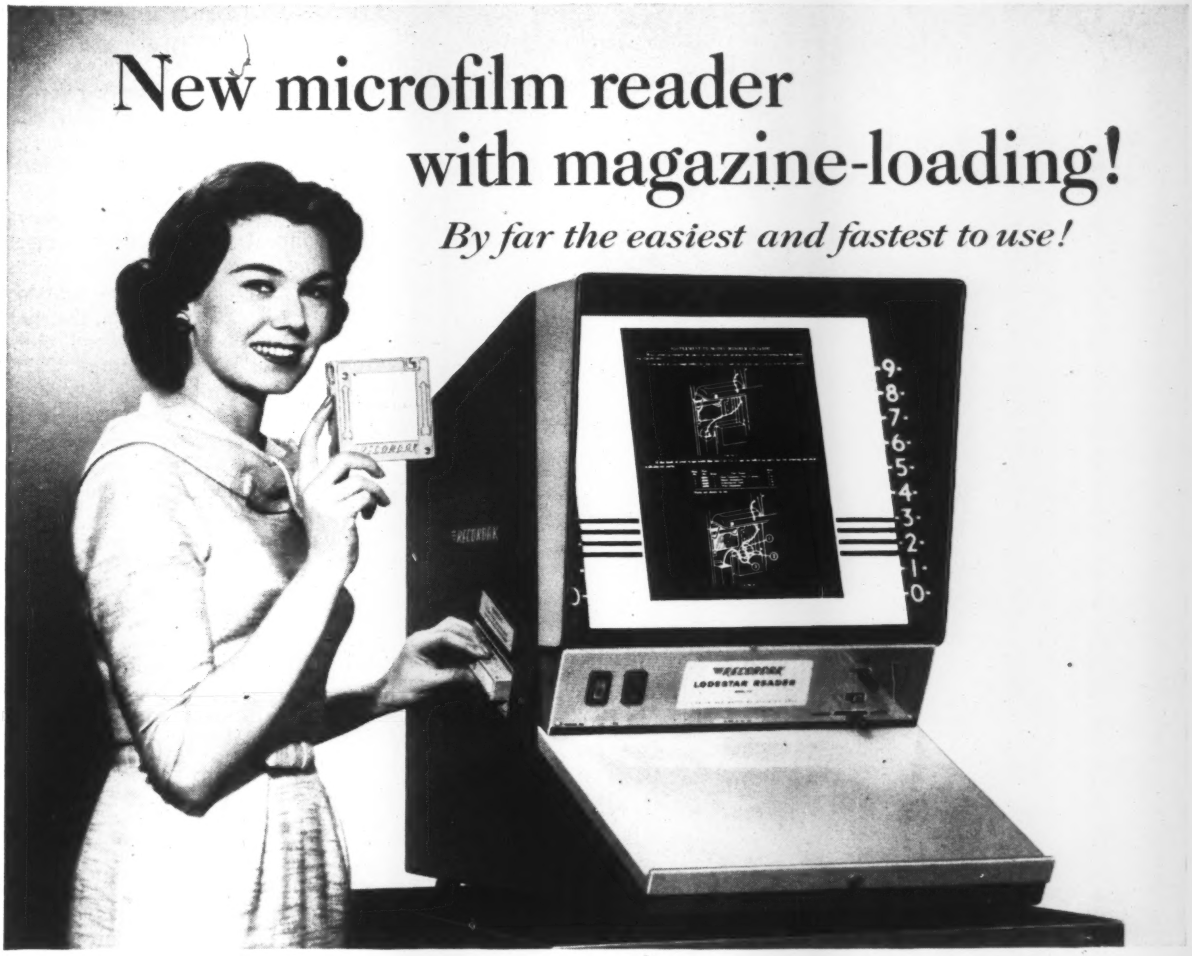
Kinescopes of the telecast will subsequently be viewed by additional thousands of key buyers in various trade associations, professional clubs, schools, and office groups in the United States and Canada.

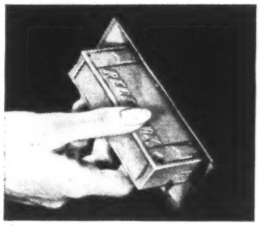
The company also plans to translate the kinescopes into Spanish for presentation in the Latin American markets.

continued on page 96

New microfilm reader with magazine-loading!

By far the easiest and fastest to use!





Another first from Recordak—the new Lodestar Reader with magazine loading! This remarkable microfilm reader introduces an entirely new concept in reference work. Cuts "look-up" time from minutes to seconds! *And so easy*—just slip the microfilm magazine into the reader-slot and the Lodestar turns on automatically. No threading! No adjustments! No waiting! Hands never touch film.

Fast as the Lodestar advances your film (at speeds up to 600 ft. per minute), the code lines are easy to follow . . . lead you right to the pictures you want.

It's easy to produce films for use in the Lodestar! Documents are microfilmed and indexed *simultaneously*, with code lines keyed to the scale on the Lodestar's screen. Then the film, with its thousands of images, is enclosed in a specially designed magazine—ready for instant use!

Many types of business will find use for the new Lodestar. For example, a large retailer, with hundreds of Lodestars in branches, reports that this new reader lets them find any item in 32,500 pages of parts data in 20 seconds or less!

"Recordak" is a trademark

RECORDAK

(*Subsidiary of Eastman Kodak Company*)

originator of modern microfilming
—now in its 31st year

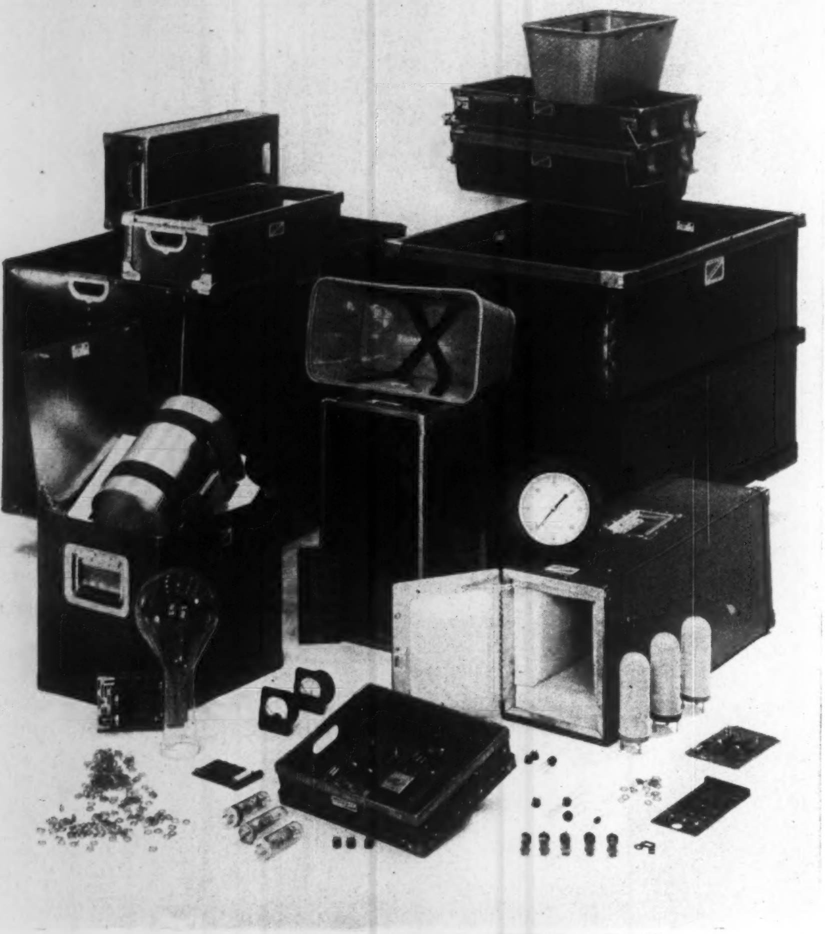
MAIL COUPON TODAY

HH-4

RECORDAK CORPORATION
415 Madison Avenue, New York 17, N. Y.

Gentlemen: Please send me free folder describing the new Recordak Lodestar Reader. No obligation.

Name____________________
Position____________________
Company____________________
Street____________________
City____________ State________



in INDUSTRY...

no other type of container handles delicate parts so surely... or so gently!

Kennett Receptacles are unsurpassed for safe, quiet production-handling of delicate instruments, electronic components and fragile sub-assemblies. They're made of National Vulcanized Fibre, a material amazingly light, tough, smooth, durable.

If you have a component or a product which must be handled gingerly, you'll do it more quickly, easily, surely—and cut noise—with a Kennett Receptacle. You'll cut your costs considerably, too.

Kennett Receptacles are made of National Vulcanized Fibre, which, by the way, *is not paper*, but a chemically-made fibre with about the most ideal combination of container characteristics money can buy.

National Vulcanized Fibre does not chip, crack, peel, blister, corrode, rust, crumble or crush. It's extra strong, light as plastic, smooth as porcelain and *tough*, with tremendous shock-absorbing resiliency. This means a Kennett Receptacle can take abuse, soften jolts and keep its contents safe from snags, slivers and sharp edges.

You can get Kennett tote boxes, trays, roving cans and trucks in almost any size—even in a fire-resistant Vulcanized Fibre, if you wish. Or, name your special container requirement and Kennett will meet it. We suggest you write for our booklet *Materials in Motion* . . . today. Tell us the receptacle use you have in mind and we'll send some specific suggestions with our reply.

Address Dept. I-4.

NATIONAL VULCANIZED FIBRE CO., Wilmington 99, Del.

In Canada: NATIONAL FIBRE CO. OF CANADA, LTD., Toronto 3, Ontario

Overseas briefing

Bendix Aviation Corp. believes it has found a unique and highly effective means of bringing its overseas customers and business associates up to date on rapidly changing products and technology.

More than 30 of the company's top technical people recently staged three-day engineering conferences at Frankfurt and Paris, which were attended by 1,250 customers, distributors, and licensees who had come from all over Western Europe.

Bendix presented its latest developments in systems and exhibited more than 300 products in the aviation, communications, and missile fields, representing all of the company's 27 divisions.

Significantly, attendance at the conferences was by invitation only, and the industrialists and military and aviation leaders attended at their own expense.

Bendix also anticipates favorable sales results from its investment. More than 300 individual meetings with active sales prospects were requested during the conferences.

Friendly relations

Stockholder relations, an area of growing importance in many companies, has special significance to the American Telephone & Telegraph Company, which has more than twice as many stockholders as the corporation with the next largest list.

Despite the monumental task of keeping track of 1.6 million stockholders in 22,000 American communities, AT&T finds personal visits by management representatives to be the most effective way of keeping its stockholders happy.

Before the management people are sent out, they are thoroughly trained in the operation of the company and are primed to discuss any subjects pertaining to the company that the stockholder might raise.

The names of the stockholders to be visited are selected at random without regard to size of holdings. The visits are made by people from most management levels of all departments of AT&T and its associated companies. To date, more than 7,000 management men and women have been trained and have called on more than 100,000 stockholders. —C.K.

WHAT PRICE EMPLOYEE SECURITY?

continued from page 56

the tax-free interest and dividends earned by the fund and the appreciation in the value of Sears, Roebuck stock over this period of time.

Here are two specific examples:

- One woman started to work for Sears at $6 a week when she was 15 years old. Today she makes $80 a week. Over a period of 37 years, she has put $4,800 into the fund. She took out $4,500 to buy a house for herself and her parents. Today, she has invested in the fund a net of $300 of her own money. Yet, she has to her credit in the fund 1,380 shares of Sears stock—worth $104,000—and $17,000. Thus, the operation of the Sears fund has converted her investment of $300 to $121,000 in capital.
- Employees with 25 to 30 years at Sears deposited an average of $4,899 and withdrew $67,089, while those with 30 to 35 years put in $5,791, on the average, and took out $93,019. In the 35- to 40-year bracket, the average total deposit was $6,092, and the average withdrawal was $123,054. In the over-40 group, the average deposit was $6,321, and the withdrawal was $154,767.

Almost all the large oil companies, the Big Three automobile companies, Du Pont, General Electric, Dow, Kroeger, and other major corporations operate a kind of forced savings plan for their employees. There is no coercion to save, but the incentive offered by the company is so great that it is rather foolish not to. In fact, well over 90 per cent of the eligible employees make regular deposits in these company savings plans.

The company puts up something, most frequently 50 cents for every dollar the employee saves. Sometimes a percentage of the employer's profits is set aside and allocated to participating employees in proportion to the amount each employee saves and deposits in the plan each year. In a few instances, the employer's contribution has amounted to better than 100 per cent of the amount the employees themselves saved.

In these thrift plans, the employee can usually invest about 5 to 10 per cent of his salary. This is after-tax money. Instead of getting the 3 per cent rate he could get in a savings bank, the employer matches his saving with a 25 per cent, a 50 per cent, and, in a few instances, 75 and 100 per cent of the amount the employee has saved.

The employer can deduct the money he puts in the trust. Both the employee's money and the employer's money earn a tax-free investment re-

Facts and Figures

FROM THE 1958

ANNUAL REPORT

HIGHLIGHTS

Net sales of Continental Motors and its consolidated subsidiaries, Wisconsin Motor Corporation and Gray Marine Motor Company, totalled $131,415,279 in the fiscal year ended Oct. 31, 1958. Comparable figure for the previous fiscal year was $135,610,890.

Net earnings in 1958 were $3,536,528, as compared with $3,583,301 in the preceding fiscal year. Net earnings were $1.07 per share.

Diversification of product continued an important factor in maintenance of the company's volume in a year when business in general was reduced.

The company's list of manufacturing customers has been further expanded in 1958, as has the line of engines needed to meet customer requirements.

Wisconsin Motor Corporation returned substantial earnings in spite of reduced volume, and its outlook for 1959 is good.

Gray Marine Motor Company introduced important new models, and in spite of the expense incident to new model introduction, showed a profit in 1958. It also increased its representation in inboard boats, both in this country and abroad.

Continental Aviation and Engineering Corporation experienced its best year to date, with net earnings of $1,349,740 as compared with $897,535 in 1957.

Two new turbojets have been released for production in 1959. The company's fine showing is ascribed to improved operating efficiency, the effect of product improvement cost reduction programs, and benefits of the first full year's operation with complete production facilities and tooling at the Toledo plant.

A new turbojet model developing 60% more thrust with an increase of only 6% in weight was developed in 1958 for the new Ryan Q-2C target drone.

Major developments in the Multi-Fuel and Compression Ignition Engine programs, covering a wide range of liquid-cooled and air-cooled engines for numerous applications, are continuing on an accelerated basis, with some models approaching production status.

Two of the Military Standard engines developed at the company's Lyndon Avenue facility in Detroit are now in volume production, an educational contract for a third model in this series has been received, and two additional models are scheduled for production later in the year.

Continental aircraft engines set two important new world records in 1958. A single-engine Beechcraft Bonanza with the new Continental system of fuel injection flew 7,000 miles from Manila to Pendleton, Ore., for a world distance record, and a Cessna 172 with Continental 0300A engine remained aloft at Dallas for 50 days, flying the equivalent of four times around the globe.

STATISTICS

Fiscal Years Ended Oct. 31	1958	1957	1956	1955	1954
Engine output (horsepower)	10,231,837	10,549,655	10,783,043	13,876,317	14,659,577
Net sales	$131,415,279	$135,610,890	$125,116,269	$145,465,155	$182,061,693
Net earnings	$3,536,528	$3,583,301	$1,604,924	$2,502,287	$4,542,748
Net earnings per common share	$1.07	$1.09	$0.49	$0.76	$1.38
Dividends per share	$0.55	$0.35	$0.25	$0.70	$0.80
Current assets	$56,101,397	$64,454,365	$59,262,735	$58,115,700	$67,362,396
Current liabilities	$21,289,109	$30,598,007	$28,304,638	$27,553,219	$35,667,076
Net working capital	$34,812,288	$33,856,358	$30,958,097	$30,562,481	$31,695,320
Ratio of current assets to current liabilities	2.6 to 1	2.1 to 1	2.1 to 1	2.1 to 1	1.9 to 1
Long-term debt	$2,355,000	$2,480,000	$2,760,000	$3,040,000	$3,320,000
Property, plants and equipment (net)	$15,733,097	$16,223,841	$16,547,581	$17,219,239	$16,654,419
Stockholders' equity	$49,279,352	$47,557,824	$45,129,523	$44,349,599	$44,157,312
Book value per common share	$14.93	$14.41	$13.68	$13.44	$13.38

Continental Motors Corporation

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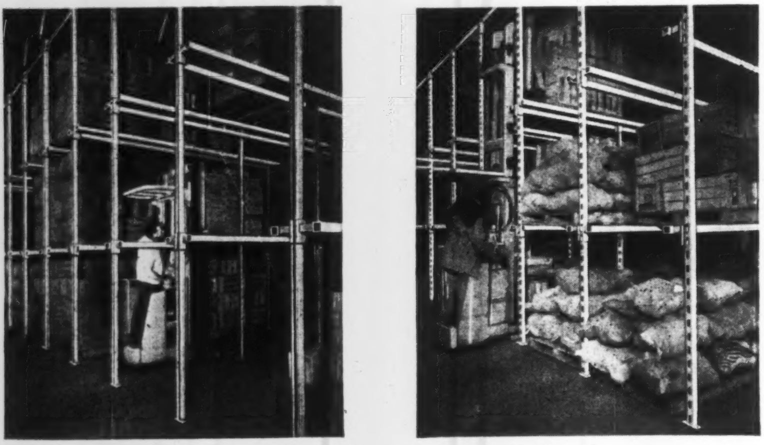
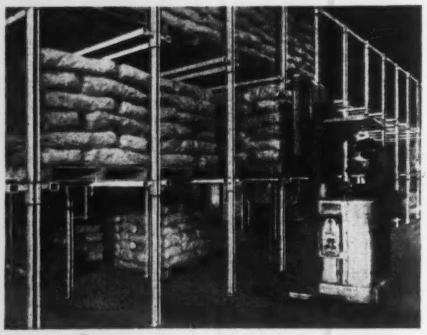


Any fork truck can drive directly into storage area to load or unload, the American way.



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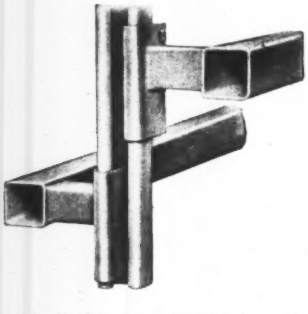

Sturdy, load-carrying stringers are made of rugged square tubing from one end of a row to the other.

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turn and capital appreciation. The employee is allowed to designate whether his savings are invested in bonds, stock of the employer corporation, mutual fund shares, or insurance.

How a thrift plan works

To illustrate how a thrift plan accumulates capital, consider the operation of the Kroeger savings plan in a single year. For every dollar the employee saved, the company deposited 59 cents to the employee's account. During the year, the total savings fund showed an increase in value of 7.1 per cent from interest, dividends, capital gains on securities sold, and increases in the market value of securities owned. In addition, employees who left the company gave up credits in the fund of $722,000. When this sum was transferred to the accounts of those who remained in the plan, it amounted to an additional 19 cents for each dollar an employee saved in that year.

Now, suppose an employee saved $300, and the company matched this with $177. Forfeitures increased the employee's account by another $57. Assuming this employee had been saving in the fund for several years and that $3,000 had accumulated to his credit, the account would swell another $210 that year as a result of investment income and appreciation. Thus, with a $300 saving, the employee adds $744 to his net worth. At that rate, these thrift plans have fantastic capital-building power.

Developing stock ownership for executive and other employees is the most direct method of relating their economic progress to the kind of job they do for the owners of the business. Thus, it's not surprising that many methods are used to help employees acquire company stock.

Appreciation in the value of company stock builds the employee's net worth without his incurring any tax liability. Even when he cashes in on

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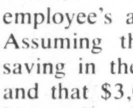

THE AUTHOR • William J. Casey practices law in New York City, specializing in tax and financial matters. He is author of *Tax Sheltered Investments* and *Executive Pay Plans*, among other books.

Mr. Casey has served as special counsel for the Senate Small Business Committee. During World War II, he was Chief of Intelligence for the Office of Strategic Services in the European Theater.

appreciation of stock, only one-half of the gain is taxed, and then only at a maximum 50 per cent rate, so that the effective tax on capital gains never exceeds 25 per cent.

The stock option method is employed by one-half the companies listed on the New York Stock Exchange. The employee is given the right to purchase stock at a fixed price, usually the current market price or 85 per cent or 95 per cent of that figure. This arrangement gives the employee the opportunity to participate in increased stock value without making any investment at all. It is not unusual for 5 per cent of the company's stock to be thus apportioned to the employees or for some employees to have the right to acquire stock worth three times their annual salary. Thus, if the stock doubles in value, an employee can be given three times his annual pay by buying the stock at the favorable option price and selling it at the market after six months.

Pay-later stock plans

Another method of promoting employee stock ownership is to give employees an opportunity to purchase shares of company stock and to pay over a period of time. American Telephone & Telegraph and many other utilities have sold enormous quantities of stock to their employees on a profit basis. Frequently, the dividends on the stock contribute substantially to the long-term payment of the purchase price. Food Fair recently announced that 1,400 employees had just completed the purchase of stock having a market value of more than $4 million. These shares were purchased at $1,140,000 and paid for out of payroll deductions over six years. The average employee paid $640 for stock which had appreciated to $3,000.

A third method is the stock bonus plan, and there are many variations here. Some companies like General American Oil contribute 10 per cent of an employee's pay to a trust, the contribution being deductible to the company. The trust then buys company stock on the market. Others issue stock directly to the employee as a bonus. Still others merely credit an employee with a specific number of shares each year, credit him with dividends equivalent to the stock which stands in his name on the books, and then, when he retires, distribute the

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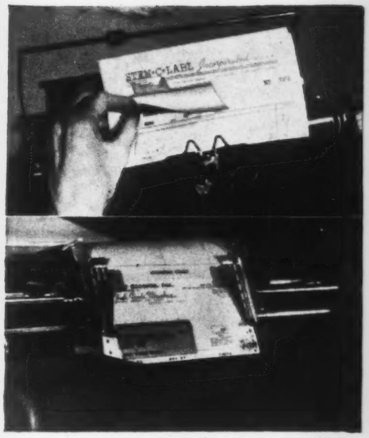

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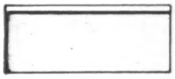

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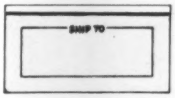

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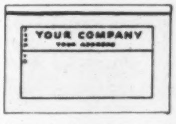

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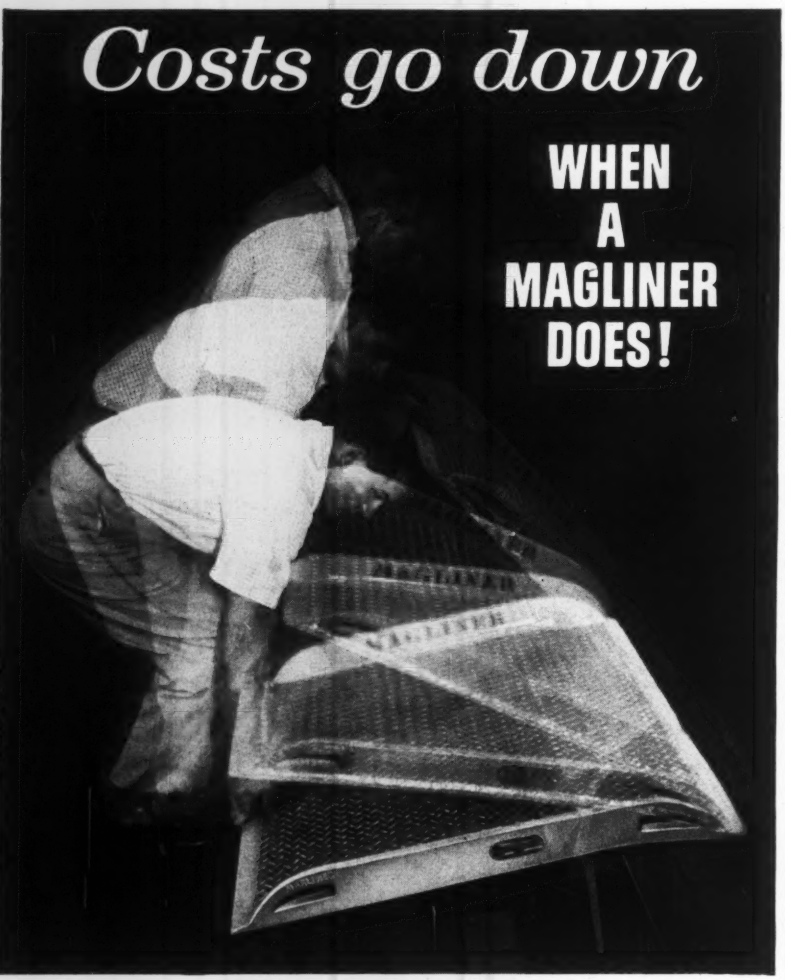

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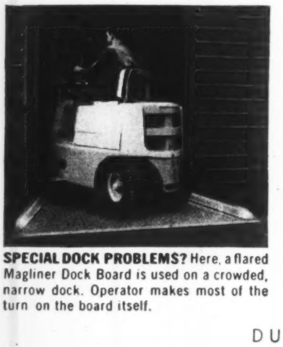
SPECIAL DOCK PROBLEMS? Here, a flared Magliner Dock Board is used on a crowded, narrow dock. Operator makes most of the turn on the board itself.

stock plus accumulated dividend credit to the retired employee. The company's distribution is deferred until the stock is distributed, and the employee is not taxed until he receives the accumulated stock. And because he gets his stock over a period of presumably low income retirement years, the taxable income is minimized.

Expanding stock ownership among employees and trusts for employees has created new problems with respect to voting rights and control. Three years ago, all of the stock of Cleveland Pneumatic Tool was sold to a profit sharing trust for its own employees. The big Boston research firm, Arthur D. Little, is owned by a profit sharing trust and its employees. The big advertising agency, McCann-Erickson, recently passed into employee ownership after employee trusts had acquired most of the outstanding shares, and the corporation itself redeemed the balance.

Sears, Roebuck provides one of the most widely known examples of how ownership can be accumulated for the benefit of employees located in every part of the country. The heavy concentration of ownership of Sears, Roebuck in a few families has been replaced by a concentration of ownership for the benefit of more than 100,000 employees who now own more than 26 per cent of that company.

Giving employees a voice

Recently, Sears, Socony Oil, and Standard Oil of New Jersey have set up arrangements under which a confidential ballot is posted to all employees participating in their profit sharing or thrift plans. Each individual employee is allowed to vote his pro rata interest in confidence for shareholder consideration. This is clearly the beginning of a trend which will give employee capital the right to vote by employee proxies.

The accumulation of capital in profit sharing, thrift, and stock plans is achieved slowly and steadily over a period of time. A life insurance contract is the only financial instance which can create a large amount of capital at one time without having that money fall subject to a big tax liability. Where there is insurance side by side with another capital-building program, the employee is guaranteed either that he will live to build up a significant sum of capital or that the insurance company will provide it for his family. Insurance buys the time to build capital.

There are three main methods by which companies are insuring capital to the families of their employees. The most common is group insurance, which can now be purchased by an employer having ten or more employees. The amount of insurance is usually one or two years' salary. In companies with 250 or more employees, as much as $100,000 in group insurance is sometimes written on top executives. Group insurance premiums are deductible by the company, and neither the premiums nor the proceeds are taxable as income to the employees or their families.

Insurance on loan

More and more companies are lending some of their employees the money needed to carry substantial individual policies. This is the so-called "split-dollar" insurance plan. The employer puts up an amount each year equal to the increase in the cash value of the policy. The employee pays the rest of premium (see box, page 56).

The amount which the employee is called upon to pay decreases each year as the difference between the increase in cash value and the total premium diminishes. The company takes back its advances when the policy matures. The employee's family gets the full difference between the cash value and the face amount. This may result in a declining amount of insurance unless a type of policy embodying additional term insurance, sufficient to offset the increasing employer interest in the policy, is used. Even if the face amount of protection does decrease each year, this is offset if the employee's interest in a profit sharing or thrift plan grows yearly.

Another way to do it is to have the profit sharing or thrift plan itself use some of the money which it accumulates to carry insurance on the employee's life. With increasing frequency, about one-third of the money going to profit sharing plans each year is being used to carry insurance on the life of the employee. This will virtually guarantee that capital will accumulate for the employee's family even if he should die early.

If the spread of these capital-building plans continues at the present rate, nearly every working family stands to come into an amount of capital to which only a very few dared aspire a few decades ago. END

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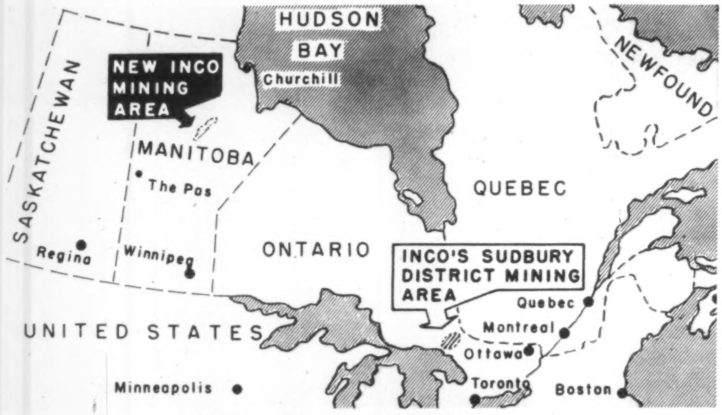
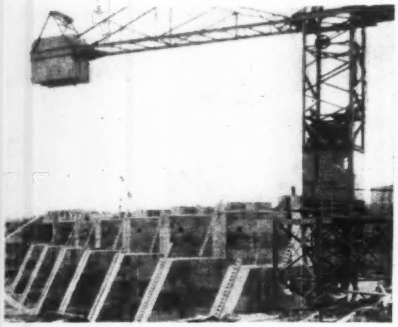
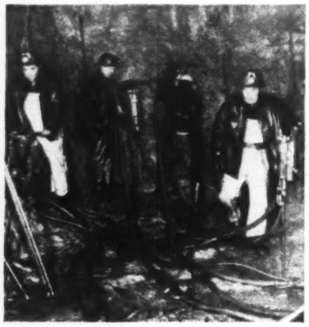


Location of Inco's new Nickel discovery

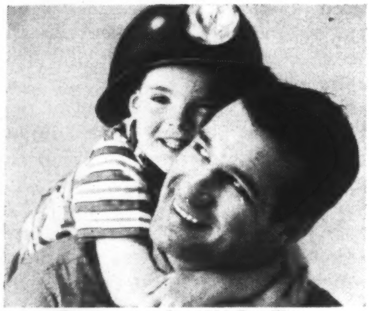


Construction at power dam



Sinking the shaft

Construction of plant at mine site



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*In 1960-61, Inco's Thompson mine will have an output potential of 75 million pounds of Nickel. This will step up Inco-Canada's capacity to 385 million pounds a year — boosting Free World projected output to about 650-million pounds. An all-time high . . . almost *double* the 1958 Free World consumption of 330,000,000 pounds!

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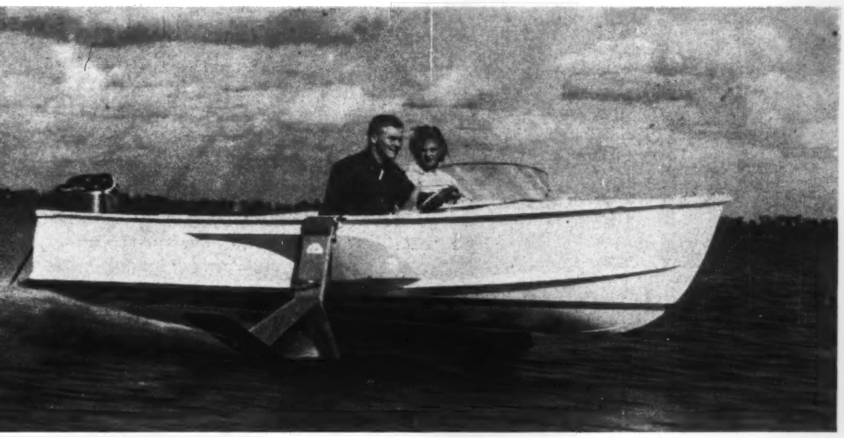
Inside Industry

"Flying" Ships to Speed Freight Transportation;
New Way to Plastic-Coat Steel Offers Wide Uses;
Inter-Plant Machine Tool Swapping Cuts Capital Costs



"FLYING" BOAT: *Runabout equipped with hydrofoils demonstrates the principle of this speed-doubling system. Grumman engineers envisage high-speed coastal vessels up to 3,000 tons utilizing hydrofoils to speed up freight shipments and passenger service.*

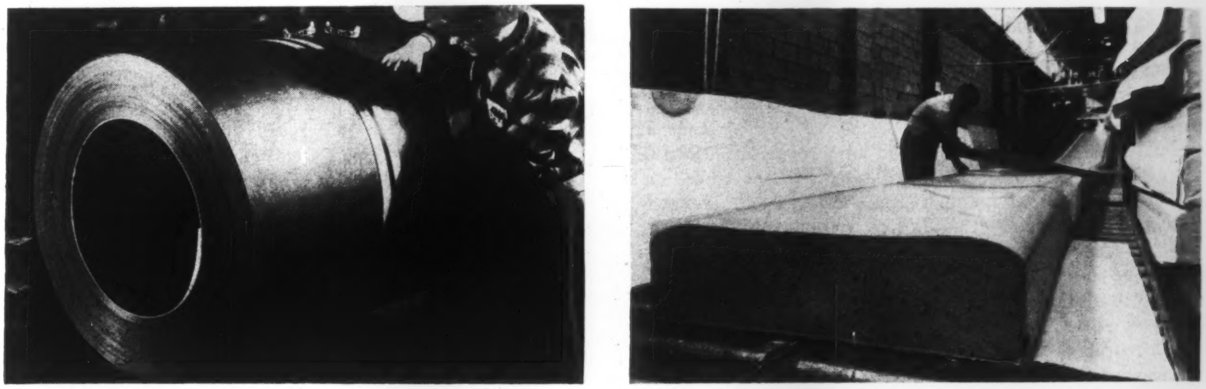
THE NATION'S transportation industry may be facing another formidable new competitor in about a decade—high-speed hydrofoil coastal ships. These "flying" ships, already in use in Europe, have a potential top speed of better than 100 knots. That's more than twice the speed of the *S.S. United States,* world's fastest ocean liner, and as fast as the speediest trains. Conceivably, these ships could offer twelve-hour passenger and freight service between New York and Miami.

Hydrofoil-equipped ships may run as large as 3,000 tons. Powered by nuclear reactors, they could operate on the Great Lakes, the Caribbean, and Alaskan waters.

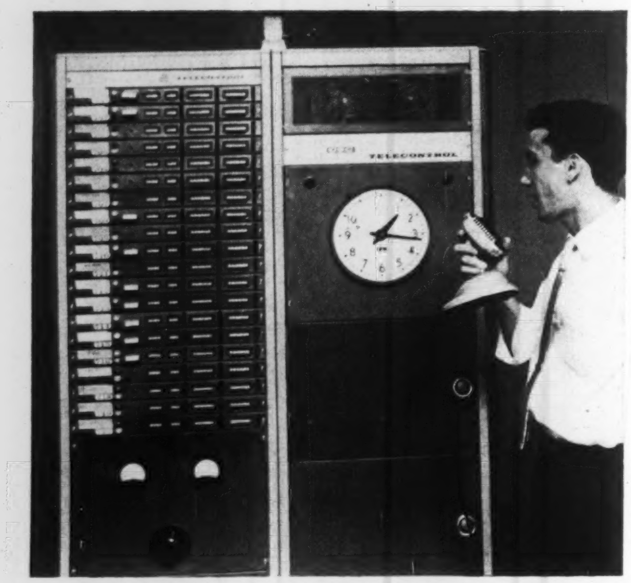
Hydrofoils are small underwater wings (see photo) that support a ship the way the wings of a plane hold it up in the air. At rest, a hydrofoil-equipped ship lies in the water on its hull like a conventional ship. As it picks up speed, the hydrofoils extend down into the water and lift the hull clear of the water. Because the hydrofoils have much less resistance to the water than the hull, the same power drives a hydrofoil ship about twice as fast as a conventional vessel.

To stimulate commercial development of hydrofoils, the Maritime Commission has just awarded the Grumman Aircraft Engineering Corp., Bethpage, N.Y., a quarter-million-dollar contract to design an experimental vessel of about 80 tons with a top speed of 80 knots. The Department of Defense also is investigating hydrofoils for military use, and a small hydrofoil landing boat is already in service. In a few months, Grumman will launch a small, 60-knot hydrofoil ordered by the Navy.

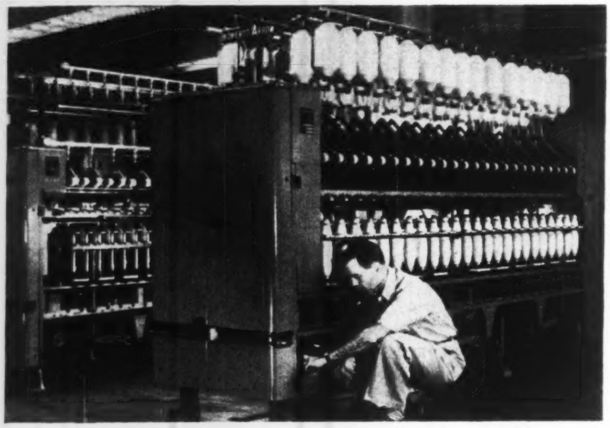
During the war, the Germans built an 80-ton hydrofoil troop transport, the VS-8, for Mediterranean service. Since that time, the Italians have put hydrofoil boats in service between Sicily and the mainland. Last January, the Italian hydrofoil boat operators set up a 45-minute service between Puerto Rico and the Virgin Islands with one of their Swiss-designed



DIFFERENT STEEL AND FOAM: *Two new processes make improved materials available to manufacturers. At left, an inspector checks one of the first rolls of vinyl-coated sheet steel made by a new U.S. Steel process that cures liquid vinyl to the metal. The laminate can be deep drawn. At right, a new process in action that continuously turns out a river of foamed urethane at Nopco Company, Arlington, N.J. The foam is then cut to useful shapes. Mass production means lower cost to the manufacturer.*



NEW *Hancock Telecontrol system, in service at John Oster Manufacturing Company, Milwaukee, has cut production costs by eliminating wasteful over-runs. Here, a supervisor sends a foreman to check a machine reported "down" by the system.*



FASTER *textile production is possible with this unusual Roberts spinning machine, which handles any type of fiber in any length without the usual time-consuming adjustments between fiber changes.*

boats called *The Flying Fish*. Riders report that the boat shakes a lot in choppy water, but no one got seasick because the usual rolling motion was absent.

The Russians also are known to be building hydrofoil ships, but there is a "disturbing silence" about Russian military developments in this field, says Leo Geyer of Grumman.

Hydrofoils have an economic top range of about 1,500 miles, but large-size hydrofoils could reach Europe with a reduced load. In addition to speed, hydrofoils have another great advantage over conventional vessels —they don't have to slow down in rough weather.

Hydrofoil ship manufacture offers an unusual diversification opportunity for the aircraft industry and all of its thousands of suppliers. These ships must be much lighter in weight in relation to capacity than conventional ships. When and if they go into production, they could be manufactured like huge aircraft, rather than on conventional shipways, although the largest sizes would call for ways. In addition, the autopilots needed offer a new market for suppliers of electronic and hydraulic parts.

If a large number of hydrofoils were put into service along the East Coast, they could create a serious traffic problem, calling for an electronic traffic control system similar to that for the airlines.

Vinyl-Coated Sheet Steel

Another technique for coating sheet metal with plastics on a mass-production basis promises to increase greatly industrial use of this attractive, consumer-oriented material. Until now, the major coating technique was U.S. Rubber's "Marvibond" process, by which plastic films are laminated to metal sheets. But now U.S. Steel's researchers have developed a new process for applying vinyl in liquid chemical form to sheet steel and then curing the vinyl on the metal.

Available in a variety of colors, including special ones requested by volume customers, and in seven different embossed surfaces, the vinyl-coated product comes in either sheets or huge rolls (see photo) up to 52 inches wide.

The new product costs approximately two to two and a half times as much as uncoated sheet, which means that it is cheaper than comparable all-plastic sheet, but significantly more expensive than a high-quality paint coating. However, it is considerably more scratch- and abrasion-resistant than paint.

At present, it can be purchased in metal gages from 18 through 28 and in coatings from 8 to 20 mils thick. It can also be spot- or stud-welded on the uncoated side without damaging the surface, and can be deep drawn as much as 30 per cent.

Among the many commercial and consumer products to which it can be applied are appliance enclosures, office furniture and equipment, auto dashboards, doors, and partitions. Although U.S. Steel has no plans to offer the sheet with any coating other than tough vinyl, other plastics are being investigated.

Cutting Machine Tool Costs

What to do with older machine tools that are ready for replacement? One answer for multi-plant manufacturing organizations is to see if other company plants can use them. Many companies already do this on an informal basis, but General Motors has organized a formal, efficient transfer system.

Known as the Uniform Machine Tool Classification, it covers all the tools in GM's 126 U.S. and Canadian plants. By providing a central company-wide clearing house for divisions that want to dispose of or acquire used machine tools, 2,724 such inter-company transfers were arranged last year. Not only is substantial capital saved, but considerable time often is gained in cases where the acquired tool would otherwise have to be custom-made. Among the other companies practicing inter-company ma-

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NAME OF COMMON STOCKS	Shares We Sold	Buyers	States Where Sold
ACF-Wrigley Stores, Inc.	10,000	65	15
Air Reduction Co., Inc.	7,000	179	19
Aluminium Limited	60,398	476	30
Aluminium Limited	20,360	167	20
*Amerada Petroleum Corporation	12,378	189	14
*Amerada Petroleum Corporation	10,200	142	26
American Can Company	33,000	793	32
*American Electronics, Inc.	60,205	384	27
American & Foreign Power Co., Inc.	25,000	94	12
American Heritage Life Insurance Co.	170,999	1,141	32
American National Insurance Co. (Galveston)	71,294	613	35
*Archer-Daniels-Midland Co.	30,700	319	29
Atchison, Topeka & Santa Fe Ry. Company	50,357	434	31
Bendix Aviation Corporation	9,910	127	25
Borg-Warner Corporation	5,790	44	20
*Burroughs Corporation	25,548	281	29
Central Soya Company, Inc.	9,591	112	16
Champion Spark Plug Company	45,500	993	35
Columbia Gas System, Inc.	206,357	2,222	35
Continental Insurance Company	10,407	159	22
*Continental Oil Company	10,000	96	11
Douglas Aircraft Co., Inc.	8,001	97	19
Federated Department Stores, Inc.	4,000	48	17
*Florida Power Corporation (Old)	15,000	246	18
Florida Power & Light Company	59,907	791	19
Food Fair Stores, Inc.	15,000	229	23
General Motors Corporation	50,000	577	33
General Public Utilities Corporation	10,000	103	24
General Telephone Corporation	17,688	690	33
*Goodrich (B.F.) Co.	10,000	122	15
Gulf Oil Corporation	10,131	185	25
Gulf States Utilities Co.	88,254	1,079	37
Idaho Power Company	43,125	463	20
Illinois Central R.R. Co.	12,022	116	28
Ingersoll-Rand Company	21,546	286	26
*International Business Machines	5,000	459	32
Johns-Manville Corporation	10,100	101	30
Lykes Bros. Steamship Co.	25,020	296	26
Melville Shoe Corporation	54,906	472	31
Merck & Co., Inc.	13,734	190	24
Monsanto Chemical Company	15,000	196	24
Northern Indiana Public Service Co.	22,246	341	27
*Oklahoma Natural Gas Co.	25,286	277	25
Olin Mathieson Chemical Corp.	40,167	479	34
Pacific Lighting Corporation	82,200	1,111	24
Pepsi-Cola General Bottlers, Inc.	45,000	243	27
Pfizer (Chas.) & Co., Inc.	12,659	123	23
Phillips Petroleum Company	40,000	482	34
Pillsbury Mills, Inc.	7,505	100	20
Portland General Electric Co.	15,000	125	19
*Procter & Gamble Company	10,428	74	23
Public Service Electric & Gas Company	180,951	2,253	33
Searle (G.D.) & Co.	15,599	317	29
*Shell Oil Company	7,100	36	15
*Shell Oil Company	7,700	22	7
Socony Mobil Oil Co., Inc.	32,608	340	27
Standard Oil Co. of California	13,800	177	28
Standard Oil Co. of New Jersey	10,000	109	30
Standard Oil Co. of New Jersey	78,000	1,104	35
*Standard Oil Co. of New Jersey	35,285	618	26
Standard Oil Co. of New Jersey	25,000	376	32
Tennessee Gas Transmission Co.	65,231	792	28
Texas Company	13,000	185	28
*Texas Company	11,800	100	13
Texas Eastern Transmission Corp.	30,051	282	29
Texas Eastern Transmission Corp.	12,001	130	21
Texas Gas Transmission Corp.	14,606	142	25
Texas Gas Transmission Corp.	8,679	101	20
Texas Utilities Company	7,870	150	17
Transamerica Corporation	8,500	84	26
Transcontinental Gas Pipe Line Corp.	17,003	198	30
Union Pacific Railroad Company	77,448	759	35
United Gas Corporation	50,000	571	34
U. S. Gypsum Company	5,505	58	22
United States Pipe & Foundry Co.	12,080	81	9
Upjohn Company	100,095	2,376	34
Vanadium Corporation of America	10,000	85	12
Washington Water Power Co.	16,000	213	3
*Westinghouse Electric Corporation	45,056	524	33
*West Virginia Pulp & Paper Co.	6,000	54	16

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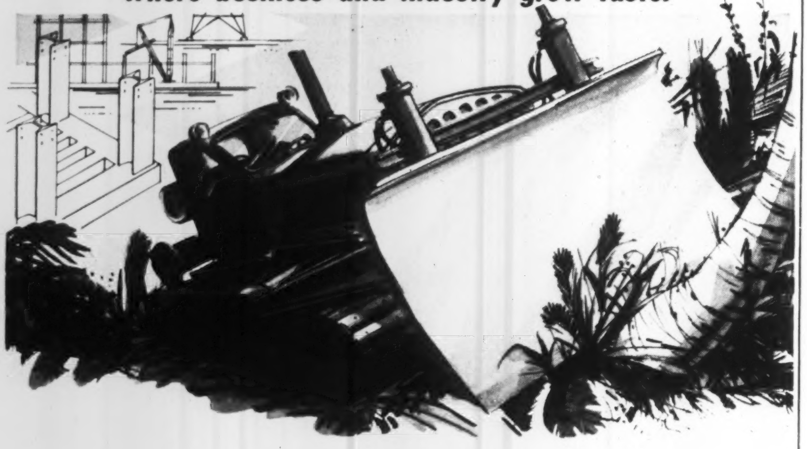

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To further stimulate such development, the Latin American republics in '58—a world-wide recession year—programmed 30% more on construction expenditures than in 1957—a record year. Included in estimated 1958 expenditures were 90% more for rail facilities than in 1957, 30% more for airport construction, and an increase of 58% for port works.

Yet production and construction are only part of the story. Although Latin America's 2.3% yearly population growth is the fastest in the world, the increase in per capita income still amounted to 2.4% in 1957.

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chine tool transfer are Carrier Corp. and Borg-Warner Corp.

News on Metals Advances

Prime and subcontractors on military projects can obtain valuable free information on the latest advanced metals from the Defense Metals Information Center recently established at Battelle Memorial Institute, Columbus 1, Ohio. Data is compiled on high-strength steel alloys; titanium; beryllium; the refractory metals—molybdenum, columbium, tantalum, tungsten, chromium, rhenium, and vanadium; and some platinum-group metals. Visitors are permitted to study the Center's extensive files.

Non-defense manufacturers can obtain the same information through the Office of Technical Services, Department of Commerce, Washington 25, D.C.

Engineers' Salaries Soar

Engineers' salaries are going up an average of 6.5 per cent a year. A survey of 200,000 engineers, made by the Engineers Joint Council, New York, also found that the median salary for engineers with only one year of experience is $6,125, and engineers with doctoral degrees command the substantial starting salary of $10,000 in industry.

Lower-Cost Fleet Operations

Electronics is again coming to the rescue of all the companies which own or operate fleets of trucks. Closely following the development of the electronic ignition analyzer, a new, long-life ignition system based on the transistor has been introduced. It should eliminate ignition system failures, cause of 22 per cent of costly road breakdowns. Created by the Electric Auto-Lite Company, Toledo, Ohio, the new system will probably be available as optional equipment on cars by next year.

One of the big failings of present ignition systems, which are essentially the same as when introduced 40 years ago, is a falling-off in ignition voltage at higher speeds. By means of power transistors, the voltage in the new system is kept constant.

In addition, the contact points are not pitted or "blued," and therefore should last the life of the vehicle. A number of other companies in addition to Electric Auto-Lite are known to be working on transistorized ignition systems. —M. M.

LABOR'S TOP MAN
continued from page 44

is the objective we keep before us.

Then, of course, we feel it is tremendously important to keep the economy alive and active. The Russians have always tended to feel that they will be able to wipe America out because the American system is bound to collapse. That's why they are so happy when we have a recession or depression here. But we want to preserve this system. Of course, we are always trying to get a better share and raise our standard of living, and that may give the impression that we are never satisfied.

Looking at the broad scope of labor-management negotiations, do you think there is any particular area where management should re-examine its position?

Well, I think a lot of management people conduct the collective bargaining relationship with the idea always in the back of their heads that they would like to get rid of the union if there's some way to do it. I don't think that makes for good industrial relations. I think it handicaps management, actually. An employer with a long record of bona-fide acceptance and straightforward dealing with the union will get a lot more respect and attention when he criticizes the actions of the union or a particular union official than an anti-union employer would ever get. I think employers handicap themselves when they go around making anti-union speeches and belonging to organiza-

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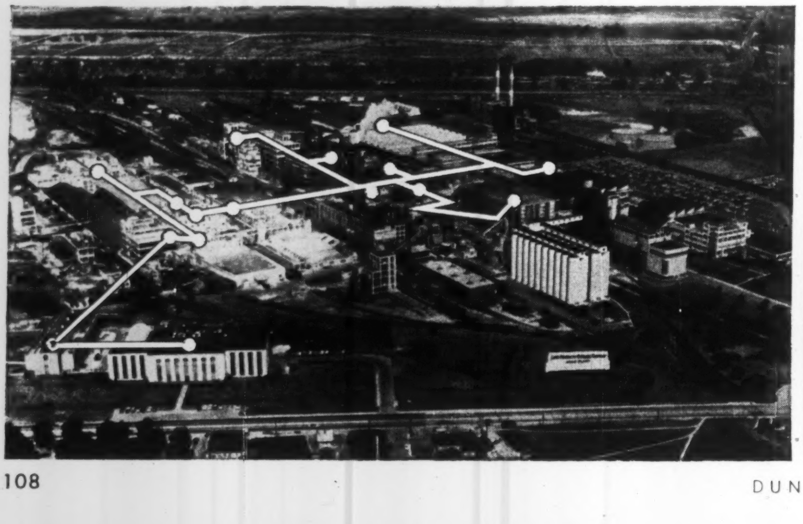

tions with definite and well-established anti-union policies. Our policy is not to destroy business or management. We are certainly the most conservative trade union movement in the world. We are a capitalist trade union movement, in the sense that we are a trade union movement in a country dedicated to the idea of capitalism. We are not trying to destroy the capitalistic system. We are trying to preserve it. Labor and the working people have gotten more under this American system than under any other system on earth.

Do you think that the political activity now being undertaken by employer organizations aims primarily at passage of right-to-work laws?

The employers in this country have always been politically active and made political contributions. In a good many cases, big ones at that, they give contributions to both parties. For our part, I personally would prefer that there be no political activity on the part of labor.

No political activity by labor?

Yes, sir; I would greatly prefer that. Actually, our political activity never amounted to anything until twelve years ago, when Taft-Hartley was enacted. But there we found that employers had enough influence in the Congress to fasten a restrictive labor law upon us. When it was demonstrated to us that the gains we had made and the goals we aspired to could be endangered by legislation, it became quite obvious that we had to be politically active. If we can be hurt legislatively, then we have to be active politically, which means activity in political campaigns. We didn't make the decision to go into the political field; the employers made it for us. We have organized our membership along political lines in self defense, and we are going to be just as active

Two small paintings, initialed "GM," on the east wall of Meany's office are his own handiwork. Meany has been "daubing," as he calls it, for many years.

politically as it is necessary for us to be.

Do you think labor can deliver a vote for a candidate?

No. We don't deliver anybody's vote, but we can deliver a lot of information to our membership and to the general public about the attitude and the record of a candidate. And then we depend on the good sense of our members and the American public to make their decision on the basis of the information. But if any labor leader says he owns somebody else's vote, you can tell him for me that I don't believe him.

Mr. Meany, what is your view on the proposals that have been made that unions should be required to vote on officers and should be required to hold strike votes by secret ballot?

I like the idea of a secret ballot. However, I think the unions are free associations, and they should decide for themselves. I don't think you should pass laws telling the unions how to vote unless you pass laws telling all other private associations how to vote. But I'm all for the secret ballot in general elections of trade union officials by members at the local union level.

It has been suggested that the cooling-off period provisions in the Taft-Hartley Act are not adequate to deal with the problem of strikes in major critical industries. What is your feeling about this?

Well, there are two very simple ways to end a strike by Government interference if you want to. One is to tell the workers they must work for the wages they are receiving; the other is to tell the employer he must pay the workers the wages they want. I'm opposed to the very idea of a cooling-off period unless you make it equitable and it works both ways. In

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other words, I think we should have two cooling-off periods in the law, not one, and they should both be the same length. In the first one, let the union work under the conditions of the old contract. In the second, let the employer pay the wages that the union wants.

Are you opposed to the idea of any cooling-off period at all?

I'm in favor of a cooling-off period by agreement, and I never signed an agreement that didn't have one in it. In fact, there are very few contracts that don't provide a cooling-off period under which they enter negotiations 90 days before the expiration of the contract. But I'm certainly opposed to the idea of compelling people to work when they don't want to. If you can legally compel people to work for 30 days, 60 days, or 90 days because of an overriding national interest of some kind, why can't you tell them they have to work for ten years?

Do you think it would be desirable to have compulsory arbitration?

No, sir; not unless you want to throw in the sponge and say that this whole system of ours is wrong, under which free people live and work in freedom.

Do you think there is any alternative, then, to occasionally having long and costly strikes in major industries?

Yes. I think the alternative is good, sincere collective bargaining. END

Highlights from COMMERCIAL CREDIT'S 47th ANNUAL REPORT

FINANCE COMPANIES

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- Instalment Financing
- Commercial Financing
- Equipment Financing
- Fleet Lease Financing
- Rediscounting
- Direct Loans
- Factoring

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- Credit Insurance
- Health Insurance
- Life Insurance

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- Metal Products
- Heavy Machinery and Castings
- Malleable, Grey Iron and Brass Pipe Fittings
- Metal Specialties
- Roller and Ball Bearing Equipment
- Machine Tools
- Toy Specialties
- Pyrotechnics
- Printing Machinery
- Valves

	1958	1957
GROSS INCOME	$ 163 672 045	$ 174 725 311
NET INCOME:		
Net income before interest and discount charges	$ 90 980 103	$ 98 963 983
Interest and discount charges	42 732 824	47 699 540
Net income from current operations, before taxes	$ 48 247 279	$ 51 264 443
United States and Canadian income taxes	21 444 888	24 367 474
Net income credited to earned surplus	$ 26 802 391	$ 26 896 969
Net income per share on common stock	$5 29	$5 33
Common shares outstanding at end of period	5 066 255	5 045 565
RESERVES:		
Reserve for losses on receivables	$ 18 617 824	$ 19 170 217
Unearned income on instalment receivables	79 137 245	80 900 216
Unearned premiums—Insurance Companies	27 954 932	31 915 207
Available for credit to future operations	$ 125 710 001	$ 131 985 640

Operations shown separately are, briefly:

	1958	1957
FINANCE COMPANIES:		
Gross receivables acquired:		
Motor, finance leases and farm equipment and other retail instalment	$ 768 708 228	$ 918 171 114
Motor, farm equipment and other wholesale notes and advances	1 105 596 313	1 553 479 488
Factoring, open accounts, notes, etc.	1 195 540 684	1 227 421 903
Direct and personal loans	154 641 630	131 365 861
Total receivables acquired	$3 224 486 855	$3 830 438 366
Total receivables outstanding December 31	$1 338 455 714	$1 447 184 063
Net income of Finance Companies	$ 16 257 950	$ 15 824 956
INSURANCE COMPANIES:		
Written premiums, prior to reinsurance	$ 27 727 167	$ 34 632 251
Earned premiums	30 052 311	35 161 496
Net income (including Cavalier Life Insurance Co.)	7 906 844	6 820 050
MANUFACTURING COMPANIES:		
Net sales	$ 133 233 066	$ 136 321 975
Net income	2 637 597	4 251 963

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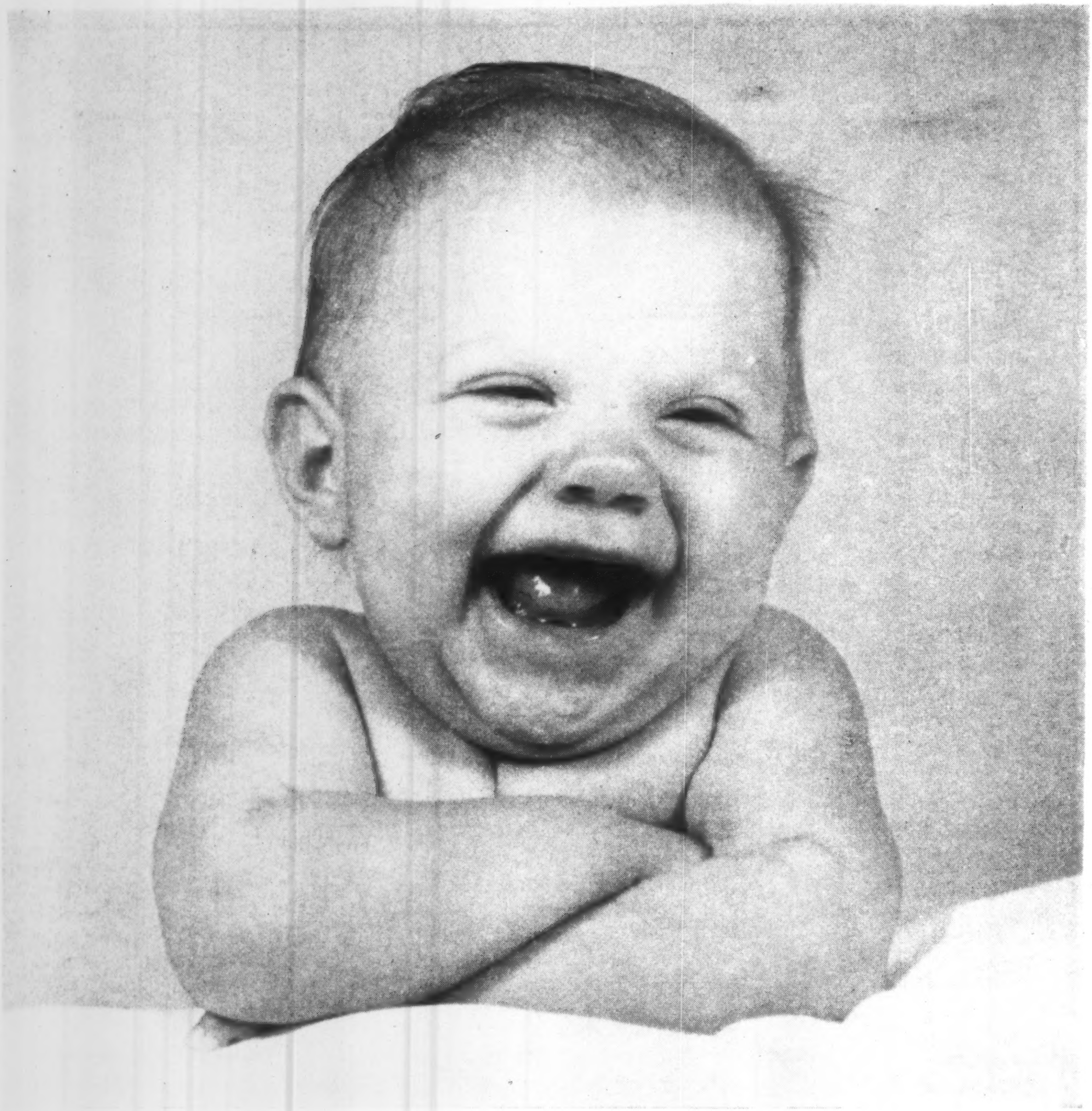

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"Contracting Out" for Stable Employment

As more companies turn to outside contractors to handle some maintenance and construction jobs, quite a few are running into unlooked-for labor trouble over who handles what.

IN RECENT MONTHS, several new oil refineries and chemical plants have engaged outside contractors to handle all their regular maintenance and new construction work. As yet these companies constitute only a tiny minority of U.S. industry, but a tendency may be developing to "contract out" an increasing amount of maintenance and construction—although, in most cases, probably not all of it. This will mean more business for contractors. And it may mean greater flexibility for the average company.

The introduction of automation, and more complex machines and controls, seems to be pushing manufacturing companies toward more contracting out of maintenance and construction work. Training a force that can take care of instrumentation is likely to be expensive. Some companies, therefore, prefer to give the job of maintaining the instruments to specialists who do nothing else. Significantly, oil refineries and chemical plants are among the big users of instrumentation.

A second development that will encourage more contracting out is the growing cost of an unstable workforce when hiring costs are high and state unemployment compensation payments are affected by "merit rating." (Most oil companies make extensive use of contractors for periodic "turnarounds" of major equipment, which require large numbers of extra men for short periods.)

If a company has a union contract calling for supplementary unemployment compensation payments, it becomes even more costly to put on extra men during peak construction and maintenance times and then resort to mass layoffs when work is less plentiful. One big steel company, for example, quietly began making plans to contract the greater part of its construction when, as a result of new automobile contracts, SUB began to appear on the steel horizon.

And, even if a company is not faced with demands for SUB or some other substitute for the guaranteed annual wage, it is likely to find that a fluctuating workload makes for constant arguments with the union—over seniority in times of layoff and over distribution of overtime at peak times.

Contracting new woes

But in this respect at least, a new study shows, companies may be only exchanging one headache for another when they resort to contracting out. This is especially true since many companies have no clauses in their union contracts covering this phase of management prerogatives, and it is difficult to draw up a clause that prevents "borderline" cases.

The study, which was made by Dr. Margaret K. Chandler, associate professor, Institute of Labor and Industrial Relations, University of Illinois, and Dr. Leonard R. Sayles, associate professor, Columbia Graduate School of Business, covered 74 industrial concerns located in seven metropolitan areas, all companies employing more than 1,000 persons.

Four-fifths of these companies contract out all their major construction work, and about one-third have contractors handling some of their routine maintenance work. More than two-thirds have made no significant changes in their contracting policy in the last five years, yet an equal number have no clauses in their union agreements covering the matter.

Results of the study undoubtedly reflect the decline in employment generally in 1957–58 and the drop in overtime in many plants. When regular in-plant maintenance forces were

Pros and Cons

ARGUMENTS for and against contracting out seem to hinge mainly on non-cost factors. Some companies mention that the contractors' higher labor costs and their need to make a profit are bound to make their work more costly than that of a plant's own forces, and some of those who favor contracting out believe it provides a way of evaluating the internal cost. But both groups place a good deal of emphasis on other considerations.

For example, those who oppose contracting out cite the effects on employee morale and the possibility of union difficulties and endless delays. And many of those who favor contracting believe it holds advantages even if it is somewhat more expensive. Here are some of the advantages mentioned:

- **Contractors have more specialists and more specialized equipment and can concentrate more resources on the job at hand. Hence, they can do work more quickly and efficiently and with less production downtime.**
- **Using contractors provides a means of evening out the peaks and valleys in the workload of the regular forces, making it possible to achieve stable employment, which pays immediate economic benefits and long-run return in the form of improved employee morale.**
- **Contractors can be required to meet schedules and conform to rigid specifications, and their guarantees provide a mechanism for getting unsatisfactory work redone, a mechanism that is not present in "do it yourself" work.**

However, many plant engineers do not put much faith in written guarantees. The best guarantee, they say, is the engineering department's knowledge of the contractor's skill and good faith. If he doesn't display these, they add, the main recourse is not to hire him again.

- **Contracting conserves scarce engineering and managerial skill and lets the engineers concentrate on planning and directing the contractor. It's pleasanter, many companies say, to "boss" the contractor who doesn't have job tenure than to oversee the recalcitrant employee who has a union to back him up.**

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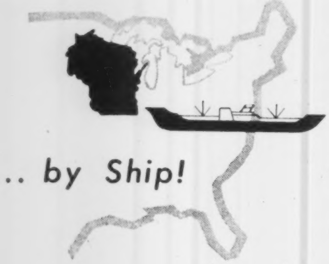

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becoming surfeited with overtime—as many of them were when plants were operating at peak and doing a great deal of new construction as well—they were not too disposed to quarrel about the contracting out of the excess. Some plant engineers report that as long as the in-plant forces get 48 hours a week, the men are satisfied.

Now, however, the researchers note, the whole field of contracting out has become a battleground in many companies. Installation jobs costing a few thousand dollars have involved national union and company headquarters and produced expensive delays.

As an illustration, they describe the case of the "Tri-City plant of the XYZ Corporation," which decided to contract out the electrical work needed for the installation of a new electronically controlled processing unit and found itself in a company-wide hassle as a consequence.

Trouble began the day the contractor and his men stepped into the plant. A general feeling of unrest was evident in the maintenance department, and, before many hours had passed, the plant electricians were threatening to walk off the job.

Soothing the electricians

As is often the case, the contractor's men were members of a craft union, while the company electricians belonged to the industrial union that had organized production workers and received lower rates. To the plant men this meant that "the company could do the job for half the price if it would let us handle it, but management wants to put us in our place."

Local union officials, summoned by the industrial relations director, were surprised to learn of the trouble and promised to do what they could to "soothe" the electricians. But the soothing would take three days, during which work was halted.

This gave the company a soothing job of its own. The contractor began to argue that he could not be held to his original bid if he had to keep his men tied up but not working.

The three-day delay did, however, produce results, including revelation of the real source of the difficulty. In the previous few months, it appeared, five electricians had retired, and no one had been hired to take their places. Fewer jobs would mean that seniority would afford less protection, and the men feared that the company was planning to decrease the size of the craft groups generally. When management assured the electricians that this was not so—that it was, in fact, planning to hire two new electricians very shortly—the men went back to work, and the contractor got on with the job.

Who does the dirty work?

But new difficulties soon developed. To speed up the work, and, perhaps, to appease further the electricians, the engineering department arranged to have the plant men do some of the heavy cable work. Immediately they flared up again—"We're getting the 'dirty work' part of the job." And they walked out a second time.

Now the stoppage was serious, for, without the electricians, vital production work could not proceed. Central staff industrial relations people were fearful that the dispute might eventually affect outside contract work in other cities. Plant management was told to settle the matter quickly without any more trouble and to find a way to forestall similar occurrences in the future. But the directive did not state how this was to be done.

The upshot was an agreement between the local union and plant management that the company would in the future give its employees the work they had normally done if they had the skills and the time to do it and that any departures from this policy would be discussed with the union in advance.

But, as the researchers point out, while this settled the immediate dispute, it did not do much to prevent similar "borderline" cases and unexpected grievances that are likely to arise.

Contracting here to stay

However, the possibility — and probability in some cases—of constant union disputes is not likely to do much to slow the spread of contracting out for a number of reasons.

In the first place, the companies that are having trouble on this score are a minority (40 per cent) of those covered by the survey. The rest, while showing some uneasiness about the future, report they have "no problem."

Secondly, the forces tending to induce companies to maintain stable workforces are strong. Even if they are not faced with SUB payments and larger charges for unemployment compensation if they practice mass hiring and mass layoff, there is a growing feeling that the advantages—in the form of better employee relations—to be gained by providing steady work are well worthwhile. If the benefits of steady work can be sold to the unions, plant engineers believe, they will be less inclined to cause trouble when outside contractors are brought on the job.

Finally, there is a development that is not likely to give much consolation to management, even though it may eliminate one frequent cause of disputes. Most of the skilled workers in industrial unions may, before very long, be getting wage rates comparable to those the craft unions have long enjoyed.

Keeping up with the crafts

Growing unrest among the craftsmen in industrial unions has culminated in attempts to form separate unions and has induced the national union heads to take steps to remove the cause of the trouble. Extra raises for skilled workers have been features of some recent contracts, including those granted in the automobile industry.

A narrowing differential between the rates of contractors' men and the rates of plant craftsmen will tend to raise the cost of a "do it yourself" policy for many plants. This may increase the trend toward contracting out in some companies where the maintenance department "bids against" outside contractors for every construction job and even, in effect, for maintenance jobs because production managers are free to go outside if they can get work done more cheaply.

The effect of this development may not be so great as might be expected, however. Companies covered in the survey do not appear to put emphasis on costs either way, partly because they have no real way of comparing the contractors' bids with the cost of having work done by their own men. In 40 per cent of these concerns, there is no systematic way of comparing costs, and where comparisons are made results depend to a large extent on more or less arbitrary overhead charges assessed against every job done by the plant's own forces. Some charge little or no overhead. Others include it to the tune of 50, 100, or even 150 per cent.

—Alice L. Smith

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FINANCIAL HIGHLIGHTS

63RD Annual Report

	1958	% Increase Over 1957
Common Dividend Rate	$2.40*	–
Earnings Per Share (Company only)**	$3.70	22.1
Gross Electric Plant	$1,268,323,599	11.8
Gross Revenue	$256,243,262	17.1
Operating Expenses	$200,572,847	15.8
Taxes	$73,119,089	31.0
Net Income	$40,005,407	26.7
Payrolls	$53,370,776	3.9
Total Meters	1,561,874	3.9

NEW PLANT

Two steam units at Huntington Beach, totaling 435,000 kw, completed; additional capacity under construction totals 526,000 kw.

PERMANENT FINANCING

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*DIVIDEND INCREASE

Quarterly dividend raised to 65¢ (equivalent to $2.60 annually) on December 18, 1958, payable January 31, 1959.

**EARNINGS PER SHARE

Consolidated earnings per share were $3.74 and $3.08 in 1958 and 1957 respectively.

CONDENSED CONSOLIDATED BALANCE SHEET Dec. 31, 1958

ASSETS

Electric Plant	$1,067,263,964
Investments and Other Assets	8,394,355
Current Assets	88,934,954
Deferred Charges	3,591,176
Capital Stock Expense	3,396,504
Total Assets	$1,171,580,953

LIABILITIES

Stated Capital and Surplus	$ 512,568,671
Long Term Debt	540,464,700
Current Liabilities	84,497,348
Deferred Income Tax Reserve	15,036,103
Other Reserves and Liabilities	19,014,131
Total Liabilities	$1,171,580,953

For a copy of Southern California Edison's 1958 Annual Report write: T. J. Gamble, Secretary, P. O. Box 351, Los Angeles 53, California.

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Capital Views & Previews

A progress report from
the Postmaster General

Machine-Age Methods Speed Mails

PAUL WOOTON, *Contributing Editor*

AFTER 50 years of muddling through, U.S. post offices are abandoning their turn-of-the-century mail-handling methods in favor of revolutionary new machines which can do just about everything short of snatching the letter out of your secretary's typewriter.

The man behind this mechanization drive is Postmaster General Arthur E. Summerfield who, coming from the automotive industry that pioneered mass production techniques, is determined to improve postal efficiency by the introduction of up-to-date mechanical and electronic equipment.

Summerfield, in an interview with DR&MI, declares, "The Post Office Department is engaged in the biggest mechanization program since the beginning of mass production of automobiles."

The need, he says, for such a program is clearly evident. "An annual load of 61 billion pieces of mail plus a billion packages cannot be handled manually without unconscionable delay."

No room for the mailman

Manual methods had to be superseded by machines as volume grew because there literally was not enough room in the post office for the number of people who would have been required to handle the increased mail.

Summerfield gives particular credit to the electronics industry for the part it has played in developing special purpose equipment for the postal service. For example, electronic scanning now makes possible automatic stamp cancellation at high speed. Another electronic system counts the mail and controls weighing.

Machines which cull out letters and packages of different sizes and shapes are in daily use in the larger post offices and soon will be installed in smaller offices. Letters now are sorted at a rate of 18,000 an hour, and machines under development will step up the rate to 36,000 an hour. Parcel post packages are sorted by another type of machine. Bundle-tying machines have boosted efficiency greatly. Facing and batching are also on the long list of mechanical operations now in use.

Arthur E. Summerfield

The main stumbling block in improving the postal service, the Postmaster General says, is that "mechanization in existing buildings must be done on a piecemeal basis because of structural limitations. What is needed in new construction will be demonstrated in what we call the 'post office of tomorrow' being built at Providence, R.I. This $20 million office, which will have only two supporting columns in its 132,300-sq. ft. area, will be in an outlying location near an airport, an express highway system, and main line rail facilities."

Summerfield points out that of the nation's more than 36,000 post offices, at least 3,000 are housed in buildings 30 to 100 years old. These structures, he says, are inadequate for the handling of the present-day volume of mail and unsuited for the installation of mechanical equipment.

How business can help

"The Department has a plan by which new buildings are constructed by private enterprise and then leased to the Department," Summerfield explains. "Under this plan, the Department has been able to house 3,000 post offices in properly designed buildings and avoid depriving the local communities of a source of taxation. But we need 12,000 more new buildings."

The number of new buildings that can be erected is restricted, however, by the limitations Congress has placed on equipment appropriations. The Post Office Department is not permitted to plow back revenue for facilities improvement as do other businesses. All its receipts must be turned in to the Postal Fund of the Treasury Department, and all Departmental expenses are limited by the Congressional spending authority. Postal receipts pay 85 per cent of the Department's operating costs. This leaves 15 per cent, or about $543 million, to be met by taxpayers.

"Improvements in the postal service have not been confined to buildings and equipment," the Postmaster General points out. "The old accounting system has been replaced with

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modern methods. A broad program of research and development has been established. Users of mail have been educated in the ways they can help the post office. Their cooperation has taken a great load off the system. Large users deliver their mail to the office bundled to minimize processing. And small users help in segregating local from out-of-town mail by placing it in the separate bags provided in post offices and in separate street mailboxes."

Transportation of mail produces other headaches for the Department. The number of passenger mail trains has dwindled in the last few years from 10,000 to 2,400, but airplanes and motor carriers are assuming this task, and more and more helicopters are being used as mail carriers.

And mail-carrying missiles aren't just a science fiction fantasy. "The day is coming," predicts Summerfield, "when mail will be delivered within hours by guided missile to England, India, or Australia."

Clearing the aisles

No small part of the transportation problem is contained within the post offices and terminals themselves. Movement of mail in workroom areas has been expedited by conveyor systems which eliminate the congestion of hand trucks and other portable equipment.

City deliveries are being improved by the use of light, functional vehicles which make it possible for mailmen to handle heavier loads and reduce the need for heavy trucks.

Even when discussing his favorite topic—improved postal service—the Cabinet officer now and then strays into other governmental areas. Speaking of labor, Summerfield characterizes labor union bosses as the "new monopolists." "When wage increases outrun productivity," he declares, "the fires of inflation are fanned. Controls along antitrust principles are desperately needed."

On the subject of taxation, Summerfield says, "We need schedules of personal and business taxes that provide greater incentive to everyone to work, save, and invest."

The Postmaster General—like the President, the Secretary of the Treasury, and the Council of Economic Advisers—is convinced that a stable dollar should be made an integral requirement of the Full Employment Act. END

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Case histories show how ten New York companies turned the tide of public opinion in their favor through good personnel programs and active, well-organized participation in community affairs.

A Climate of Achievement

THE UNCOMMON MAN: THE INDIVIDUAL IN THE ORGANIZATION *by Crawford H. Greenewalt. McGraw-Hill Book Company, Inc., 330 W. 42nd St., New York 36, 142 pages, $4.*

The president of Du Pont declares restrictions on personal freedom and financial rewards are discouraging the individual from performing the uncommon deeds necessary for the prosperity and advancement of organizations, nations, and civilizations.

Who Does What

DEFINING THE MANAGER'S JOB: THE AMA MANUAL OF POSITION DESCRIPTIONS *by C. L. Bennet. American Management Association, Inc., 1515 Broadway, New York 36, 447 pages, $9.*

A survey of company programs for defining executive jobs shows specifically how descriptions are prepared and used. Includes 150 actual descriptions for all job levels.

Marketing: The Big Picture

EFFECTIVE MARKETING ACTION *edited by David W. Ewing. Harper & Brothers, 49 E. 33rd St., New York 16, 338 pages, $6.*

Thirty-nine leading executives and business teachers contribute chapters on the specific techniques and problems of putting the customer-oriented marketing concept to work.

New Labor Agenda

NEW DIMENSIONS IN COLLECTIVE BARGAINING *edited by Harold W. Davey, Howard S. Kaltenborn, and Stanley H. Ruttenberg for the Industrial Relations Research Association. Harper & Brothers, 49 E. 33rd St., New York 16, 203 pages, $3.50.*

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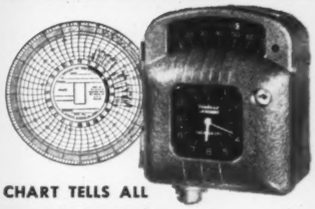

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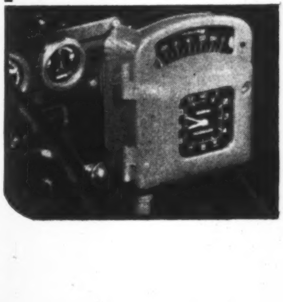

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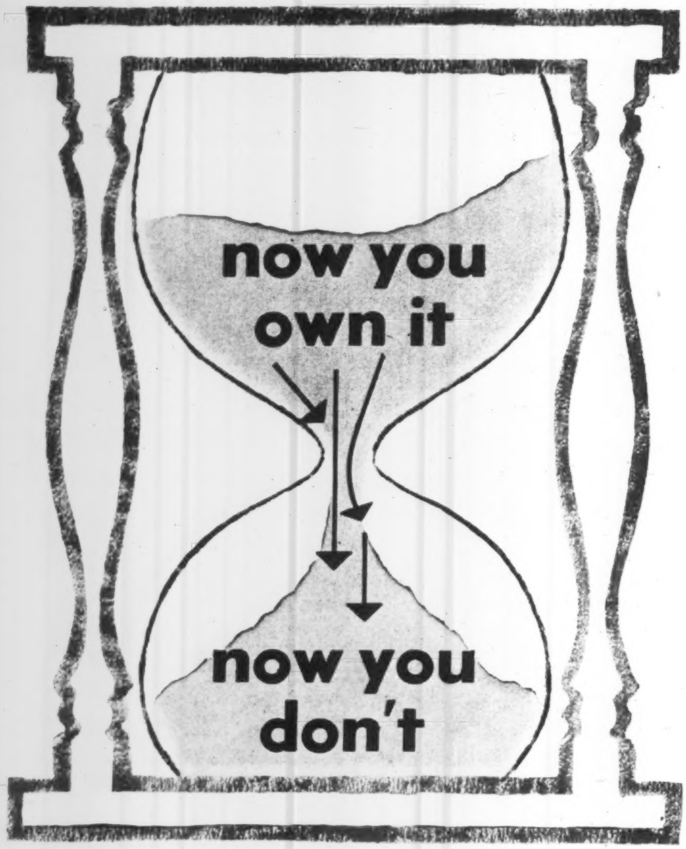

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GOLD MINES IN PURCHASING

continued from page 53

commodities, actual prices paid can be compared with corresponding market quotations.

When price performance indicators are supplemented by yardsticks of delivery performance, quality, and special vendor contributions, a company has a valuable management tool for planning and control and for gauging over-all vendor performance. It also serves as a measure of purchasing department performance, and identifies the outstanding buyers, although it fails to take into account intangible factors. Good judgment must bridge this gap in any control system.

Many progressive companies have been taking a new look at purchasing performance indicators. Similar techniques involving comparison of goals or bogeys with actual performance have been successfully put to work in other parts of the business, such as marketing and manufacturing.

For example, one useful measure expresses purchasing's "quality" performance in terms of the value of material rejections as a percentage of the total value of purchases. This and other indicators also curb undue vendor favoritism because of reciprocity, since all vendors are judged on the basis of value performance.

But few companies have any accurate yardsticks of the buying effectiveness of their purchasing operation, either collectively or individually. A student of management has observed, "Purchasing departments are frequently evaluated by top management in terms of the apparent ability of the senior purchasing executive."

Watch inventory and production

In the light of the materials control concept, which views procurement as a single stage in the total flow of materials from sources to the final customer, it is clear that purchasing policies should be related to inventory levels and varying production schedules. This may mean, for example, more frequent ordering to reduce inventory levels, even though procurement costs are thereby increased.

Few companies as yet have put the materials control concept into practice, in the sense of centralizing the responsibility at a single point. Yet excellent results have been reported. At Massey-Ferguson Limited, third largest North American manufacturer of farm implements, responsibility for materials management is linked with production planning under a single executive, who coordinates the activities that go into the setting of the annual production plan and makes sure materials are available to meet the original plan. When actual sales vary from the forecast rate, he alters production schedules accordingly and adjusts purchasing and inventory levels.

The plant managements under this arrangement are responsible for carrying out production plans within approved limits of cost and schedule.

THE AUTHOR • Richard W. Taylor of McKinsey & Company, Inc., New York Management consultants, has participated in major industrial purchasing studies and has spoken before buyers' groups on purchasing controls. An Annapolis graduate and former Navy jet pilot, Mr. Taylor saw service in World War II and Korea. Before entering industry as a procurement executive at Martin Aircraft, he served a term in the Ohio Legislature.

Senior executives attribute an increase in total inventory turnover from three times to five times annually to their materials management policies.

Single responsibility

Under certain circumstances, it is a good idea to make one person responsible for maintaining the best combination of inventory position and purchase scheduling to serve a given production plan. In fact, for stocked items, a balance point theoretically exists between procurement costs and inventory expenses for a production plan, at which point the over-all costs to the company are at the optimum. Electronic data processing equipment is making it possible to control a balanced relationship for a large number of items. Successful installations in use today are simultaneously keeping inventory balanced and issuing purchase orders.

Better control of materials flow and inventories can be achieved in companies where purchasing plays a broader role in the materials cycle. By balancing the cost of acquisition with the cost of carrying inventory, undeveloped gold mines of profit can be exploited. END

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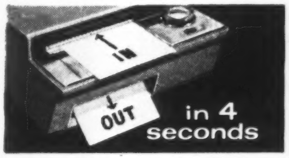

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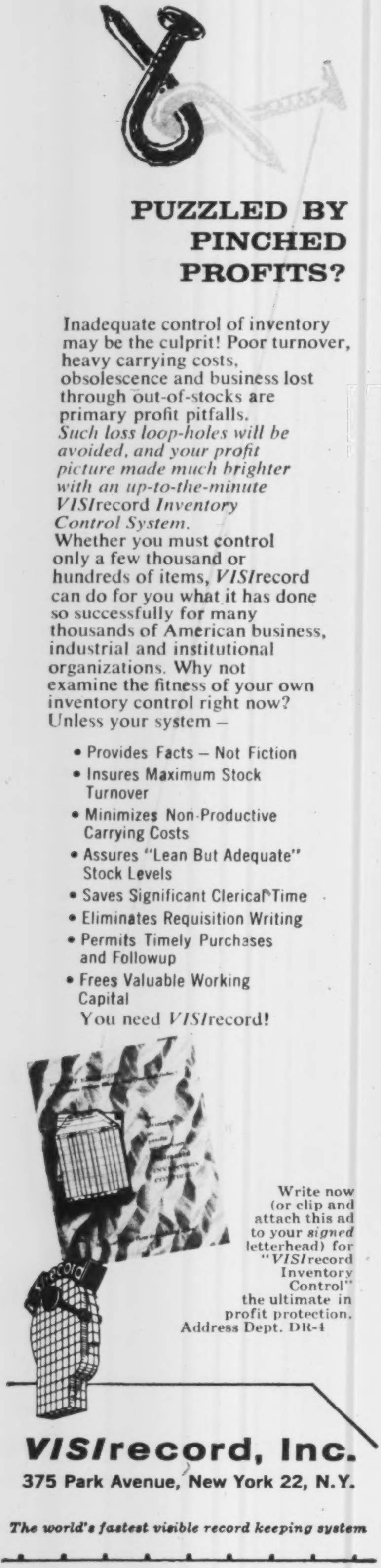
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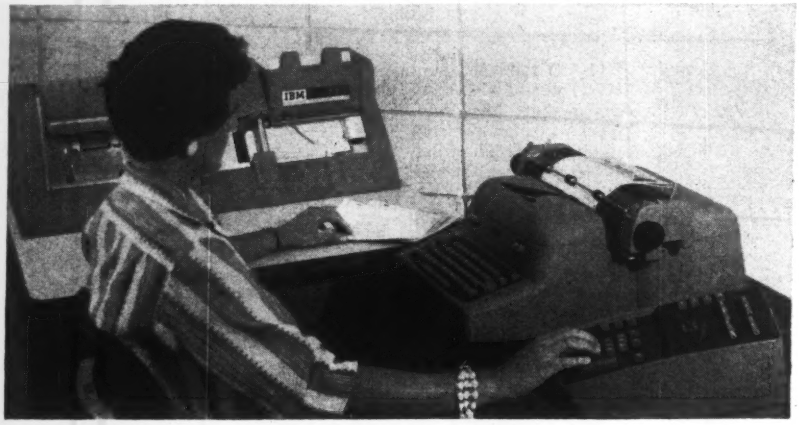

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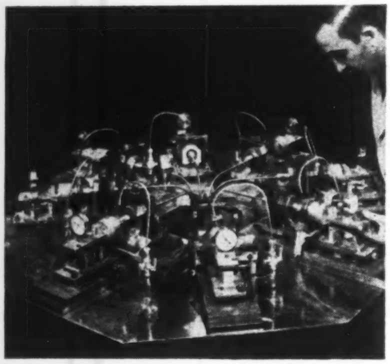

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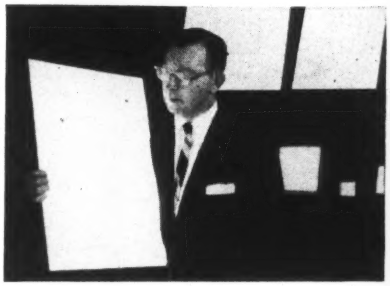
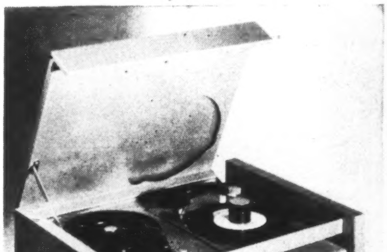


FLAT LAMPS: Sheets of glass coated with phosphor need only a small current to give off a soft, diffused light. Cool-running, these electroluminescent panels are especially applicable where a long-life light is needed—control panel lights, for example, or electric displays.

The Lamp Division, Westinghouse Electric Corp., Bloomfield, N.J., offers "Rayescent" lamps (photo above) in green, blue, and yellow.

Radio Corporation of America's Tube Industry Marketing Section, Harrison, N.J., has experimental models available in six colors.



ROBOT RESPONSE: Small enough to be easily portable, this unit answers telephones when the office is untended. A record informs the caller no one is in, and a tape recorder takes a message for playback. Developed by the General Telephone Corp., the "Electronic Secretary" is available from local telephone offices.

SYNTHETIC OIL: Designed for use in systems using all-synthetic fluids, new hydraulic lubricant is said to have properties equal to premium oils and to be fire-resistant as well. "Pydraul A-200," Monsanto Chemical Company, St. Louis 24, Mo.

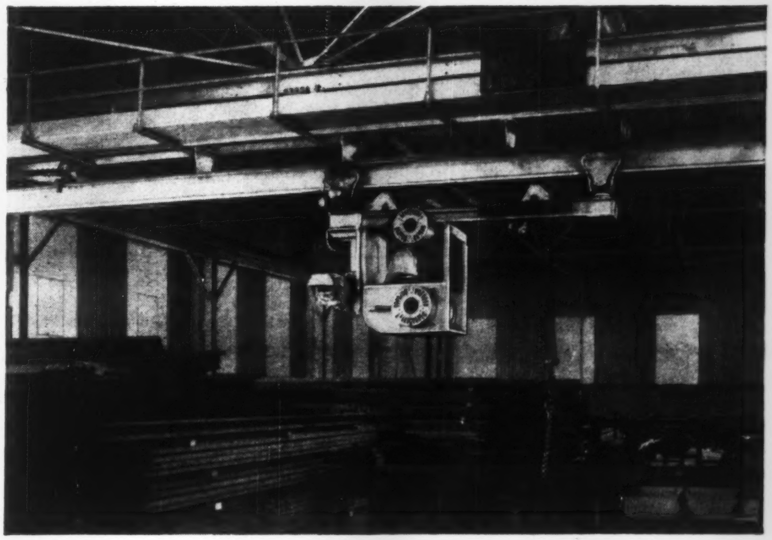
more news on page 124

SHEPARD NILES

MONORAIL HOIST

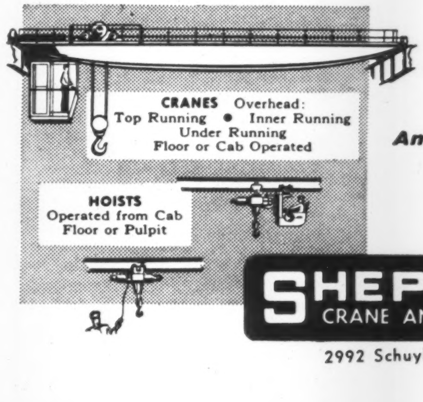
MORE ROOM

...for production and storage



Why move materials around men, materials and machines? Use the direct route — smoothly and safely — through air. Shepard Niles Monorail Hoists and Transfer Cranes put load handling overhead . . . eliminate costly ground level handling. Use the space saved for production and storage.

Rugged Shepard Niles hoists are available for constant or intermittent service. Choose from light, medium or heavy duty hoists equipped with cab or floor controls. Offered in fast, medium or slow speeds. Send for Monorail Hoist bulletin today . . . or ask that a Shepard Niles representative call — there's NO OBLIGATION.



Building
America's Most Complete Line
of Cranes and Hoists
Since 1903

SHEPARD NILES
CRANE AND HOIST CORPORATION

2992 Schuyler Ave., Montour Falls, N. Y.

Save Floor Space
WITH TANDEM STORAGE FILES

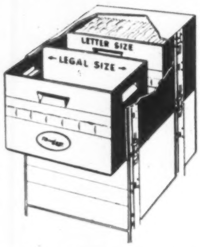
THE NEWEST IDEA FOR RECORD STORAGE IN 20 YEARS!

tandem
STORAGE FILE

Tandem installation at REPUBLIC AVIATION CORP., Farmingdale, N. Y.

2 TRAYS IN EACH UNIT
provide 30-in. of filing in 24-in. depth

That's the secret . . . two (12" x 15" x 10") trays are stored sideways, *one behind the other*, in a single 24" deep shell . . . and only 30" aisles are needed. Tandems stack to the ceiling too. Thus narrow aisles and high stacking save floor space.



Record storage specialists, searching for a low-cost record file that would use every available foot of space, began with a 15" x 12" x 10" corrugated box but found savings often were offset by necessary shelving costs—and space still was not put to best use.

Now Tandem files meet the need for a low cost file that *uses all the space*—by filing in tandem—and the stacking units of corrugated fibre-board build their own steel framework as you stack them—to any ceiling height. No wasted space between trays or between tiers; units interlock for extra strength.

TRY TWO UNITS — Let us ship you, prepaid, two complete Tandem units for $8.50. Each unit will hold both letter and legal filing. Send order on your company letterhead. MONEY BACK GUARANTEE

BANKERS BOX COMPANY Dept. DR4
2607 North 25th Avenue, Franklin Park, Ill. (Suburb of Chicago)

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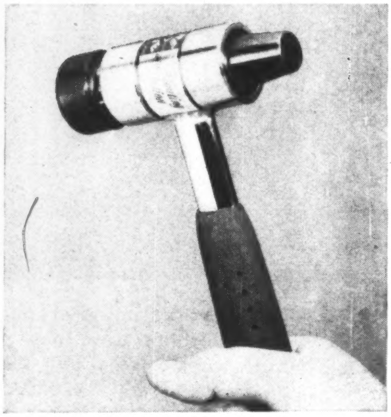
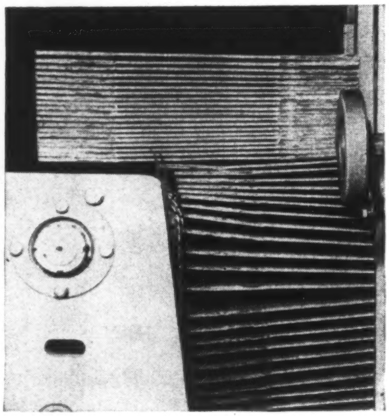
CHARLES Beseler COMPANY
EAST ORANGE, NEW JERSEY



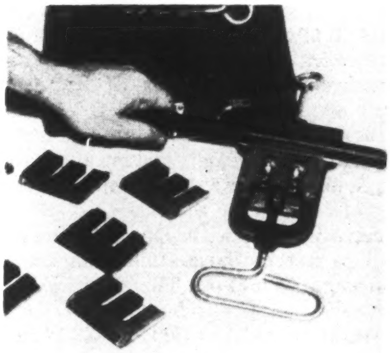
PLASTIC SHIELD: Protective cover made of Eastman Chemical's Tenite butyrate fastens over glass-canopied electric meters. Impact-resistant plastic allows installation or removal of the meters without damaging the glass, while the insulating qualities of the plastic help to guard against electrical shocks. "Meter-Gard Safety Holder," Aluminum Box Shop, Inc., P.O. Box 34-1366, Coral Gables, Fla. ➡



QUICK STRIP: Stainless steel cutting blade quickly, cheaply, and safely removes the "hide" from electric cables. Slipped over and tightened on a cable, the peeler is rotated until the covering falls away. Since the cutter will not nick the wire, the power need not be shut off. Developed by Penn-Union Electric Corp., Erie, Pa., with Allegheny Ludlum Steel Corp. castings. ➡

LESS BOUNCE: The head of this hammer is attached to the handle by a series of elastic shock suspension devices within the head housing. This construction absorbs much of the impact shock without reducing power. Worker fatigue is reduced, especially when driving nails into concrete or steel. "Shure-Drive," Ramset Fastening Division, Olin Mathieson Chemical Corp., 460 Park Ave., New York 22, N.Y.

BOX COUNTER: New unit attached to cardboard box gluers will count out predetermined quantities of boxes in units of fifteen, twenty, 25, 30, 35, or 40. Counter works with any thickness or warp of board, speed of machine, or size of box. Standard equipment now on new gluers, the unit is available separately for older machines. S & S Corrugated Paper Machinery Company, 166 N. Fourth Ave., Brooklyn, N.Y.



more news on page 126

you inspect
a house
before you
buy it…

…why not inspect this Canadian Banking connection?

Test it . . . try it . . . see how it works. That's the American and Canadian way of coming to a decision.

And that's why we are anxious to have you try our services before you decide on establishing a Canadian banking connection.

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New York Agency:
28 Broadway, New York 4, N. Y.
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30 W. Monroe St., Chicago 3, Ill.

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Automatically dates, codes, or marks production runs of cartons, packages, filled bags, boxes, rolls, cans, etc. For candy manufacturers, food packers, distillers, oil companies, etc. Send for free catalogue.

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THE CURTA COMPANY Dept. DR-49
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—and its thousands of employees who help strengthen America's Peace Power by buying U.S. Savings Bonds

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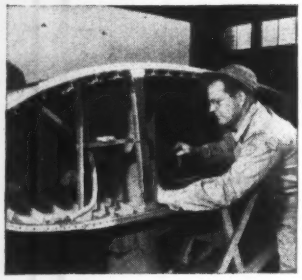
If your company has not yet put in a Payroll Savings Plan, start now. Your State Savings Bond Director is anxious to help. Telephone him now. Or write to Savings Bonds Division, U.S. Treasury Department, Washington, D. C.



L. A. MARTIN, skilled aircraft mechanic, is typical of the thousands of valued employees in this field who are buying U.S. Savings Bonds regularly. Mr. Martin, through his company Payroll Savings Plan, is making a personal contribution to the Peace Power of his country.

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ELASTIC PLASTIC: New rubbery material offers resistance to tearing, abrasion, solvents, oil, and ozone, as well as good extensibility and elasticity. Unlike true rubber, the plastic does not need to be vulcanized. It can be processed with standard techniques like milling and extruding. "Estane VC," B. F. Goodrich Chemical Company, Cleveland.

•

VENTILATED LIGHT: Fixture combined with an air diffuser promises to simplify installation of lighting and air conditioning. Warm or cool air from a central duct comes through vents in the side of the fixture. Only the fixture shows below the drop ceiling. "Multi-Vent Troffer," The Pyle-National Company, 1334 N. Kostner Ave., Chicago 51.

•

FANCY FIGURER: Electric calculator not only does usual mathematical jobs, but saves the answers to be used as part of the next problem—e.g., the product of a multiplication can automatically become part of a problem in division. The time saved by not having to re-enter factors adds just so many minutes to the working day. "Transflo," Marchant Calculators Division, Smith-Corona Marchant, Inc., 6701 San Pablo Ave., Oakland 8, Calif.

•

DOUBLE DUTY: A simpler adding machine converts quickly to price-marker for retail items. The regular tape is removed and a roll of gummed labels inserted. The machine is automatically set for correct spacing as price labels are punched in the quantity needed. "Add-N-Mark," Victor Adding Machine Company, 3900 N. Rockwell Ave., Chicago 18.

•

HEAT BEATER: Flexible hose made of Du Pont's Viton synthetic rubber can withstand temperatures of 350° F almost indefinitely and 600° F for short periods. What's more, Viton resists corrosion well, making the hose suitable for use with concentrated acids, jet fuels, solvents, and other corrosive liquids. A Dacron covering helps give the hose a minimum burst strength of 600 psi. The hose is available in 1- to 4-inch diameters from the Thermoid Division, H. K. Porter Company, Inc., Tacony and Comly Sts., Philadelphia. —R.P.

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Atlanta 8, 1722 Rhodes-Haverty Bldg., JAckson 2-8113	Morgan Pirnie

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Cleveland 13, 629 Terminal Tower, TOwer 1-3520	Lowell Negley, Jr.
Detroit 26, 1100 Cadillac Tower, WOodward 1-3764	Carl Neppach, Jr.
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...add a touch of executive elegance to all furniture

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Available through leading office equipment dealers, coast-to-coast . . . . ask for descriptive literature and demonstration.

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P. O. Box 672, Benton Harbor, Mich.
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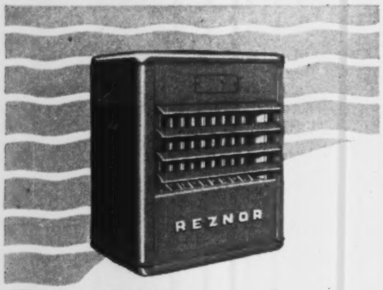

efficiency

Reznor gas unit heaters react instantly, automatically to the requirements of their immediate surroundings, producing and distributing heat right when and where it's needed. There's no costly stand-by firing of boilers, no heat lost in transmission.

EFFICIENCY is only one of many reasons why these completely-automatic packaged units are ideal for heating all kinds of commercial and industrial buildings . . . large or small.

Ask your Reznor distributor or dealer for complete details. You'll find him listed under "Heaters, Unit" in the Yellow Pages.

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WORLD'S LARGEST SELLING DIRECT FIRED
UNIT HEATERS
Reznor Mfg. Co., 80 Union St., Mercer, Pa.

The Reviewing Stand

Why Businesses Fail

"The salvation of the retailer is better management methods," an expert recently declared. To which one retailer retorted, "I don't want salvation; I want *volume*."

Most business men, especially distributors in the consumer field, quickly perk up their ears when the salesman says the happy word "volume" but have difficulty hearing the accountant's nasty word "expense." True, no business prospers without the movement of merchandise, and the rate of turnover reflects the degree of management enterprise in the market place. Yet, the high speed of turnover may be a temporary mask for management error in dealing with the essentials of profitable survival.

In a forthcoming issue of DR&MI, Richard Sanzo, a DUN & BRADSTREET specialist in the area of operating ratios for successful management, exhumes a few recently defunct companies and tells in diagnostic case histories what led to rigor mortis. He discovers no new economic diseases, but some interesting variations and complications of the standard complaints—poor financial circulation, sales anemia due to bad merchandising practices, hardening of the management arteries, and, in several cases, congenital lethargy and inherited myopia. Mr. Sanzo offers no new cures for the ills of bad management, but he does pinpoint cause and effect in his examination of the casualty list.

Are We Too Secure?

Risk is a necessary ingredient of life, for without it there is no progress or profits. But today there seems to be too much reaching for security among individuals, too much surrender to group protection at the expense of identity and individuality. Our community life is getting to be a "surrey with a fringe on top" that disturbs the vision, not only of the wage earner, the young professional man, and the rising company executive, but even the college graduate who ought to come on the scene without the excessive prudence that hampers vision and brakes ambition.

Appraising this over-emphasis on security, Theodore Levitt, in a future issue of DR&MI, will consider the damaging effect of fringe benefit fever on the health of industry, labor, and management alike. There can be no quarrel about safety precautions, health safeguards, and other reasonable social benefits—but, as Mr. Levitt asks, "How far can you go, and what is the relation between expenditure and value received?"

Lonely Decision Makers

More battles are lost in delay than in combat. There comes a time when caution ceases to be a virtue and prudence is the lesser part of valor.

Leadership benefits from planning and all the elements of logistics, but neither victories nor profits are won on a committee vote. Democratic methods elect or select a leader, but any significant management action is the result of an individual decision in a mind which has weighed the risk, observed the opportunity, and said, "This is what we do."

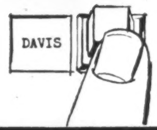
The leader is empowered by the taxpayers and stockholders to make decisions. He is responsible to them for the choice of action, but he cannot make decisions by popular vote or by referendum. The most ruinous decisions are those which are delayed or never made.

Leaders are selected for superior talents, and their judgment should not be hampered by the "if, and, or but," of a less qualified majority.

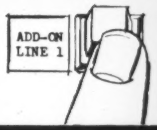
Neither security nor profits are guaranteed by diluting or spreading the responsibility for command decisions. There comes a time when a voice must say, "This is it." Of course, behind such a forthright statement of action, principle, or policy, must be a thorough knowledge of the issue at stake, its benefits and costs. Besides, it is usually easier and quicker to repair a judgment that is decisively wrong than one that is half right.

Clarence Randall talks about the loneliness of decision makers in a forthcoming issue of DR&MI and draws upon his rich resources to give courage to the man who plots the course of a business. It is a lonely assignment, and he cannot, dare not, share risk or responsibility when the ultimate "yes" or "no" is to be spoken. —A.M.S.

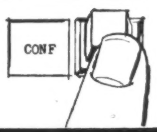
LOOK WHAT the CALL director TELEPHONE LETS YOU DO BY PUSHING BUTTONS!



YOU CAN TELEPHONE FREQUENTLY CALLED PERSONS in your office or plant by pushing the appropriate button . . . and reach others by dialing.



YOU CAN ADD ANOTHER PERSON in your office or plant to an outside call, then stay on the line for a 3-way talk or turn the call over to your associate.



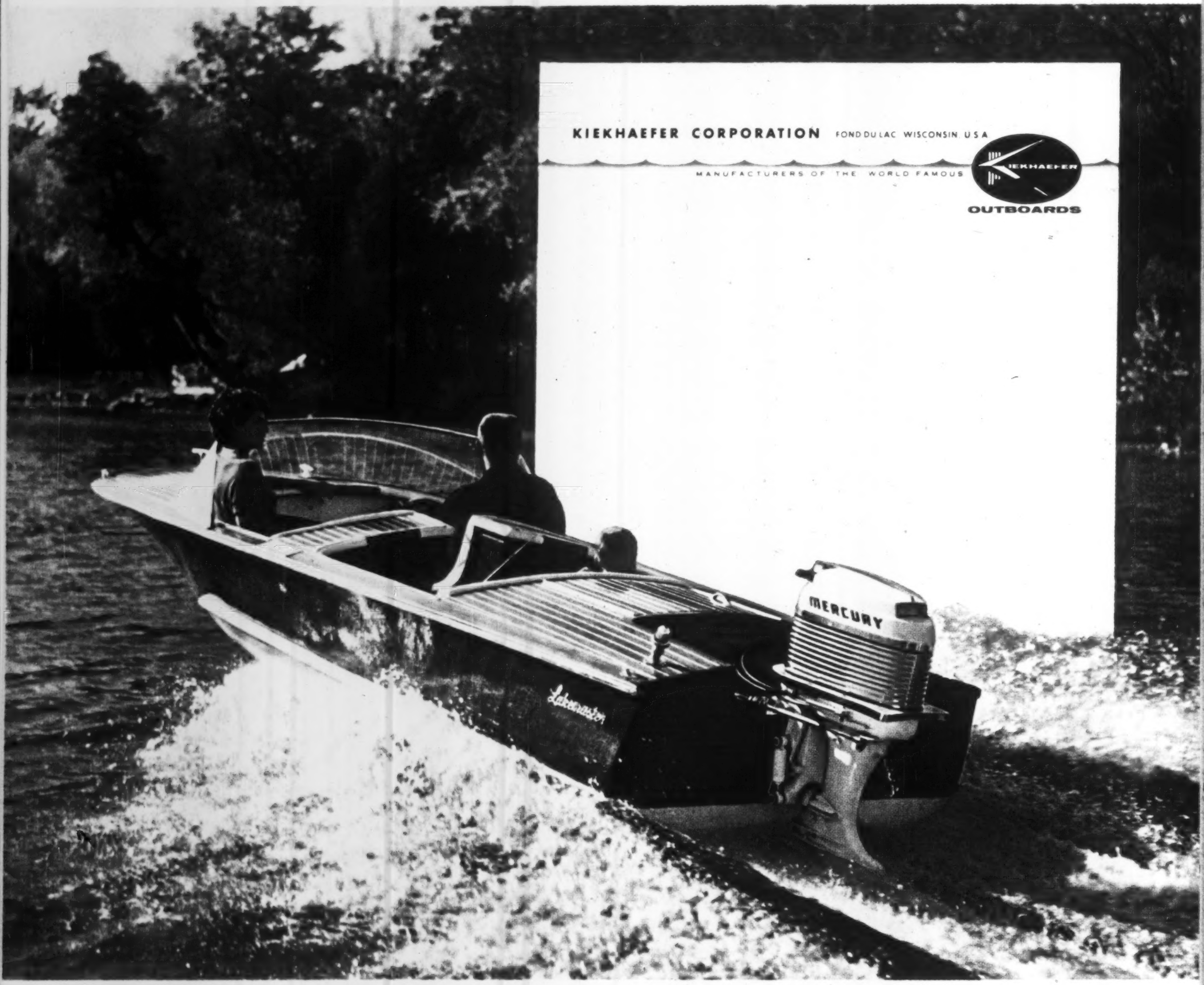
YOU CAN TALK WITH AS MANY AS 6 PERSONS simultaneously in a telephone conference. Several different conference groups can be arranged.

YOU CAN PICK UP CALLS on as many as 29 outside, extension or intercom lines . . . and you can hold calls on many lines if you need to.

This revolutionary new office telephone comes in two models—one with up to 18 buttons, the other up to 30—with any combination of the above features. It comes in green, gray, beige or ivory with contrasting face plates. Find out how the Call Director telephone can speed *your* business by improving your communications. Call your Bell Telephone business office and a representative will visit you at your convenience. No obligation, of course.

BELL TELEPHONE SYSTEM

Action!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